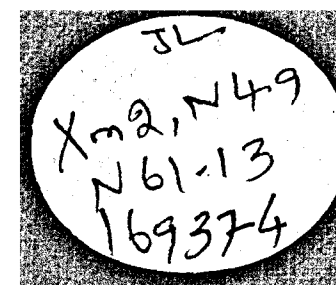


Bundle no 13



Before Schedule III, insert the following Schedule:—

" SCHEDULE II.

LIST OF HILL STATIONS.

[See section 3 (10).]

Ootacamund, the Nilgiris district.

Coonoor, the Nilgiris district.

Kodaikanal, Madurai district."

Schedule IV—Rule 18.—(i) In sub-rule (1) (b), for 'the Andhra Pradesh Legislative Assembly', substitute 'both Houses of the State Legislature'.

(ii) In sub-rule (3), for 'State of Andhra' and 'State', substitute 'Presidency of Madras' and 'Presidency' respectively.

Rule 26.—(i) In clause (a), after sub-clause (ii) insert the following sub-clause:—

"or

(iii) within three days from the service of the notice referred to in section 108: "

(ii) In clause (b), for 'sub-clause (i) or (ii) of clause (a)', substitute 'sub-clause (i), (ii) or (iii) of clause (a)'.

Rule 29.—In sub-rules (1) and (2), for 'section 95 or 102', substitute 'section 95, 102 or 108'.

Rule 30.—In sub-rule (1), after 'rules 13 and 29', insert 'or within three days from the service of the notice referred to in section 108'.

Appendix A.—(i) After 'fifteen', insert a star mark.

(ii) At the bottom of the Form add " Three days in case of tax on servants."*

Schedule VII.—Before the entries relating to section 127, insert the following entries:—

" 109. Failure to furnish list of servants employed.

Fifty rupees."

Schedule IX.—For this Schedule, substitute the following Schedule:—

" SCHEDULE IX.

The Economic Weekly

A Journal of Current Economic and Political Affairs

July 1, 1961

THIRTEENTH YEAR OF PUBLICATION

Volume XIII—No 26

Price 50 Naye Paise

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THE ECONOMIC WEEKLY

65, Apollo Street, Fort,

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Telephone : 253406

Annual Subscription : Rs 24

Foreign 40s or \$ 6

How Common Is the Common Market?

THE forthcoming visit of Mr Peter Thorneycroft to discuss implications of the proposed association of the U K with the European Common Market lifts what had been a somewhat remote academic exercise into an immediate practical problem on which India will have to take a decision. True, in matters concerning the Commonwealth, India voluntarily chooses to follow rather than lead, except perhaps in matters relating to the politics of colonialism. The economics of it, the metropolitan orientation of the colonial countries, remains more or less unchanged. India lives in two worlds — one symbolised in the Bandung spirit and the other in existing trade and commercial policies. There has been no follow-up of the economic aspirations of the Bandung Conference. The policies currently being pursued continue to retain a substantial measure of continuity with the past, with only a few significant changes.

It would by no means be an exaggeration to say that India has never been too much worried over the possibility of Britain joining the Common Market. The general attitude of Delhi has been that it does not matter much either way. This is not quite true, in any case; and faced with the prospects of India being dragged into or passively following Britain into the Common Market, a more positive attitude than in the past is obviously called for. Over the decades, Indian exports have steadily lost the markets on the Continent or at least failed to share in the phenomenal increase of trade in these countries. Europe has to change its trade and fiscal policies in order to enable India to reverse its present one-way traffic of continuously increasing import of capital goods without a corresponding expansion of traditional exports or of new exports.

While Mr Thorneycroft is coming to India to discuss the issues concerning this country that will be raised by Britain joining the Common Market, he will be visiting Pakistan, Ceylon and Malaya for the same purpose. Similar discussions will take place with the other countries of the Commonwealth. Mr Duncan Sandys will visit New Zealand, Australia and Canada, while Mr John Hare, another Cabinet Minister, will cover the African countries. Mr Harold Macmillan described the purposes of these preliminary talks rather broadly. They would be concerned, he said, with "the problems of the relationship between the U K and the European Economic Community, and possible arrangements which might meet the needs of ourselves and our partners in the Commonwealth as well as in the European Free Trade Association". True, these discussions would only be preliminary for none of the peripatetic Ministers of the British Crown would be in a position, or be empowered, to take decisions. Nevertheless, the somewhat apologetic terms of the British Information Service handout on the subject is not easy to understand. Britain has been put in this matter of Common Market into a position, in which Commonwealth interests will have to be toned down. To break one kind of grouping and substitute another in its place cannot be an entirely painless process. And it is not only a break from the Commonwealth into

Weekly Notes

World Bank Loan for Coal

WHEN Sardar Swaran Singh confirmed in the Lok Sabha last November that the Government's coal policy had been modified to permit working of non-contiguous areas of private collieries, and maintained at the same time that this represented no 'radical departure' from the Industrial Policy Resolution of 1956, it could be suspected that something was brewing, but one did not know exactly what it was. It was of course no secret that the World Bank had looked askance at India's coal policy and that meant of course no foreign aid from this quarter for development of coal. No industrial project in the public sector would be touched by the World Bank anyway, but aid to the private sector of the industry was also ruled out, until the policy in regard to coal which it did not approve of had been modified.

Any way, the reward has not been long in coming. An official team is flying next week to Washington to negotiate with the World Bank a loan to cover the foreign exchange cost of developing collieries in the private sector of the industry. Led by the official of the ministry concerned, the team includes some of the leading lights of the coal industry.

For a little while, the two Ministers who had to do with coal provided some amusement to the public by shows of shadow-fighting which were not particularly entertaining for neither displayed much skill or adroitness. The coal policy had been modified, but it was not a 'radical' modification — who ever said that it was?

The modification of the coal policy referred to above has been variously explained. One version of the change is that there would be no longer any ceiling on coal in the private sector, but in quantitative terms the change so far is that the private sector will take on a million tons more than had been provisionally allotted to it a year ago in the

Draft Outline of the Third Plan. Of the 37 million tons increase in the target for the Third Plan period, the private sector will contribute 17 million tons instead of 16 million as stipulated earlier, and the share of the public sector will be correspondingly reduced from 21 to 20 million tons. Of the latter, the National Coal Development Corporation will be responsible for 17 million tons, while the balance will be raised by the Singhareni collieries in Andhra — the other major producer in the public sector.

N C D C's Strength and Weakness

THERE is no reason really to question the ability of N C D C to deliver the goods. What it cannot do, judging from past experience, is to work according to schedule. But it can command enough resources when it wants to give a terrific last minute spurt. Of its Third Plan increase in production, the bulk is expected from 18 different projects of which only a few can be considered as 'firm' at the present stage. Prospecting remains to be done for many of these projects and as in the Second Plan period, the Corporation's target, if at all reached, will probably be reached only at the tired end of the Third Plan period.

Of the capital outlay of the private sector in coal, the foreign exchange component is put at Rs 28 crores. Now that its objection has been met, the World Bank is expected to smile. There is something very special, however, in regard to this particular loan proposal. The World Bank does and has financed private industry, but that is for very large amounts and with the guarantee of the Government of India as in the case of Tata and Indian Iron and Steel expansion projects. But this is probably the first time that it is being asked to lend to a large number of individual units in the private sector. This is usually a job for its affiliate, the International Finance Corporation, but the process of lending by the latter is unduly cumbersome and the present proposition is that the

World Bank will give the loan in bulk to the Government of India, and not to the Industrial Finance Corporation, as had been speculated earlier and the Government of India will then distribute it to the individual collieries.

This should normally be a dull time for coal for monsoon slows down coal raisings and also coal movements. But coal is very much in the news and not for the World Bank loan alone. There are most disturbing reports of extensive and rapidly advancing underground fires in Jharia coal fields which are known for their coking coal reserve. Of course, underground fires are not uncommon occurrences in coal fields, and they usually come with little warning. But if only for the magnitude of the disaster such widespread underground fires spell, the present outbreak is a tragic and most unusual occurrence, about which further developments are awaited with anxiety.

From 'Andaman' to 'Haldia'

THE Hindustan Shipyard is involved in another incident which has been described as scandalous. Unfortunately, since the full facts are not available and there are only scanty press reports to go by, it would be just as well to try and piece together the story of the *Haldia* which has not been clearly brought out yet.

The *Haldia* was designed for survey work of the Hooghly with certain set specifications to meet the special requirements of the work. However, when they started fitting out the vessel, they found that after building the superstructure, the vessel was becoming increasingly unstable and was not maintaining the draft according to their calculations. She was in fact becoming top-heavy. The yard, therefore, consulted the Port Commissioners and altered the superstructure, lightened the various weights, on the vessel and in doing so, they were forced to reduce the living accommodation of the personnel on board with the result that the final accommodation could hardly be

described as living accommodation and had become in fact standing accommodation. In view of this the Commander refused to sail on the vessel.

It is incorrect to state that the vessel was or is unseaworthy. The alterations made the vessel seaworthy and no risk is involved to the personnel on the vessel. However, it is obvious that the accommodation must be extremely uncomfortable as the temperatures in cabins are reported to be about 20 to 25 degree F above outside temperatures. For the crew that has to work continuously in the humid heat of the Hooghly and Calcutta, this high temperature is a major consideration. It is probable that the yard has paid a compensation to the Port Commissioners for the alteration in the superstructure.

The shipyard has denied that the vessel is unseaworthy and has bitterly complained of the false accusations which have spoiled its reputation in these difficult times. However, it is not very easy to defend its position nor can it evade responsibility for the defects of the vessel. The point is, that the vessel would have been unseaworthy if she had been built with the superstructures required by the Port Commissioners. It is up to the shipyard to advise the buyer that the stability of the vessel would be affected if she has a certain design with a certain superstructure.

What's Wrong with Hindustan

THE trouble with the Hindustan Shipyard is that it has neither experience nor the statistics to give this kind of advice. Ship construction is a complicated affair and it requires very careful planning. Once the primary designs are made, continuous changes are requested by the buyer as the construction proceeds. Shipyards all over the world keep an extremely close check on the extra requirements of the buyer to ensure that the stability of the vessel is not affected in any way. They keep complete details of each item that is to be fitted on the vessel, so that if there is any increase in weight or decrease in weight of any of the items, they can immediately check and recalculate whether the new item can be included or not. In order to have this system of checking and counter-checking, large

number of statistics are required for any particular ship, and to develop such a detailed statistics the Hindustan Shipyard should concentrate on building only one or two types of vessels and not anything that comes its way. No shipyard in the world would be prepared to build a vessel exactly according to the owner's requirements unless a considerable premium is paid for designing the hull to suit the latter. Normally, they offer the buyer a standard set of specifications, which they alter to the preferences of the buyer. So it would be foolish of the Hindustan Shipyard to attempt to build every kind of vessel.

It is a pity that they have not standardised the kind of vessel they intend to build. A failure to do so has resulted in two embarrassing incidents. There was the *Andaman* which listed so heavily on launching that she had to have 2,000 tons of steel shoots put into her to stabilise her, and now there is the *Haldia*. Both these incidents are the result of mistakes and negligence by the shipyard. Shipowners are never happy in building vessels at yards with a dubious reputation. The Hindustan Shipyard has not only spoiled its reputation but also charges high prices and delays delivery. It is obviously essential, therefore, that the Shipyard takes steps to organise itself and build ships for which it has the greatest experience. Even now, it is understood, that the yard intends to build a new class of vessels for one of the leading shipping companies. It would be presumptuous to suggest that it should not do so, but it is hoped that its zeal will be tempered by the bitter experience of the *Andaman* and *Haldia*.

The Cost of Sugar Exports

THE details of the arrangement for the export of the 2.25 lakh tons of sugar to the United States are at last known. There was much speculation about many aspects of the prospective arrangement, particularly about the sharing of the export loss between the Government and industry. Despite the Food Minister's somewhat airy promises to the contrary, it had also been apparent that the Government wanted to avoid the impression that it was directly subsidising the exports.

It is now proposed that the State Trading Corporation would buy sugar from the factories at the internal price and sell it back to the Indian Sugar Mills Association. The ISMA will then make the export to the United States. Thus the entire loss (at the American price) is to be borne by the State Trading Corporation. The difference between the internal price and the U S price is about Rs 200 per ton and so the total loss on 2.25 lakh tons will work out to about Rs 4.5 crores. The STC will be allowed to import other materials which are in short supply in India and where the profit margin is very high so that they can make good the loss on sugar.

Although technically it looks as if the STC is footing the bill for exporting sugar, in fact the real sufferers will be those consumers and traders who have hitherto been trading in commodities which will now be diverted to STC. The sugar industry will not have to bear so much as a single naya paisa of the subsidy of Rs 200 on every ton. Far from incurring any loss, the industry will make the customary profit that it makes on the sale in the country. The industry has borne some loss on sugar that has already been exported by ISMA. The Government obviously considers that it is incapable of bearing any further loss. What grounds are there for thinking so? It is obvious that the Maharashtra factories are making substantial profits. It is only the poor profits of the U P factories which may have led the Government to think so. It may well be true that the U P factories would make a loss if they were asked to bear any more of the export loss.

Sugar is a highly controlled industry and the Government has fixed all the costs and prices from the raw material to the finished product. Those prices have been fixed on the basis of the cost of the U P and Bihar factories which constitute nearly 60 per cent of the total number of factories so that the profits of the bulk of the sugar mills are more or less controlled. Sugar manufacturing nevertheless pays handsome dividends to economically efficient units. The sugar factories in Maharashtra, because of the superior quality of cane, earn very handsome profits compared to the U P and Bihar factories.

So the Government is faced with a dilemma; if the industry is to bear a substantial portion of the losses through export to America, then many of the UP—Bihar group will show a loss. If someone else is bearing the loss for export then the Maharashtra group will show a large profit. The sugar lobby in Delhi is powerful, especially the UP—Bihar group. They have, therefore, persuaded the Government that the industry should bear no further losses on the export of sugar.

The questions that arise are: Was it really necessary to give the industry the entire benefit of the subsidy? (How was it determined that the industry was not in a position to meet even a part of the subsidy?) And will this arrangement be followed in the case of exports to other countries also?

Prices of sugar in other importing countries is much lower than that in the United States. Will the Government foot the bill in the case of exports to these countries? It is not unlikely that this belief might

have led the ISMA to quote an abnormally low price for export of sugar to Pakistan. The price quoted by the ISMA was £ 23 per ton which is much lower than the international official price of £ 27 10s.

Since the State Trading Corporation will be compensated for the loss they incur by being given licences to import commodities on which the profit margin is extremely high, although it may look as though the Government were footing the bill, in fact it will be others who would be made to pay.

Burn and Company Limited

NOTICE

NOTICE is hereby given that the Annual General Meeting (being the sixty-seventh Ordinary General Meeting) of the Company will be held on Friday, the 28th July, 1961, at 11 a.m. at the Registered Office, 12 Mission Row, Calcutta, to transact the following business:

1. To receive and adopt the audited accounts for the year ended 30th April, 1961, and the Directors' and Auditors' Reports thereon.
2. To declare a dividend on the ordinary shares. The dividend, if declared, will be paid on or after the 7th August, 1961, to the Shareholders whose names are on the Company's Register on the 28th July, 1961, or to their mandates.
3. To appoint a Director in place of the retiring Director, Mr. T. C. Hornby.
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 Article 114 be deleted and the following substituted therefor.
"114. Unless otherwise determined by the Company in general meeting, each Director shall receive the sum of Rs. 250/- for every meeting of the Board of Directors attended by him. The Board of Directors may allow and pay to any Director who for the

time being is resident out of the place at which any meeting of the Board of Directors may be held and who shall come to that place for the purpose of attending such meeting such sum as the Board of Directors may consider fair and reasonable for his expenses and loss of time in connection with his attending at the meeting in addition to his remuneration as specified above."

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 a contract between the Company of the one part and Mr. Sitendu Gupta, 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. Sitendu Gupta, who is an Assistant of the Company, at Howrah Works, shall continue to be such assistant 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. Sitendu Gupta's basic monthly salary will be on the scale Rs. 900-1000-1100-1200-1300 during the first and successive years of service, plus dearness allowance at the rate allowable under the Company's rules from time to time, 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 railway fares for himself and his wife after completing the second and fourth year of his contract of service.

The Ordinary Share Register of the Company will be closed from the 20th July, 1961 to the 28th July, 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 LIMITED

S. Gupta
Managing Director
Managing Agents

Calcutta,
1st July, 1961

An Explanatory Statement as required under the Companies Act, 1956 has been forwarded to the members of the Company.

Letter from Assam

Ugly Head of Communalism

July 1, 1961

Cachar, June 26

THE language tension in Cachar has turned communal. The quarrel is no longer between the Assamese-speaking people and Bengali-speaking people. The quarrel has degenerated into Hindu-Muslim riots. Till now the pro-Bengali processions, picketings, etc. were dealt with by the police. Now, the two communities have started killing one another.

On June 19, some 10,000 Muslims from the adjoining villages entered the town of Hailakandi in a procession armed with weapons and stones, and assaulted Bengali Hindus and looted their shops and houses. The Muslims in Cachar are all Bengali-speaking but they were shouting pro-Assamese slogans. Though Mr Hyder Hossain, the I G P of Assam, was himself on the scene, he did nothing to prevent the processionists from entering the town. Soon the Muslim mob became violent and indulged in loot and arson. The District Magistrate of Cachar was informed of the situation and he went from Silchar to Hailakandi and, in the afternoon, firing had to be ordered to bring the situation under control.

The Hailakandi tragedy was due to a misunderstanding. The Muslim villagers who had no experience of Gandhian non-violent satyagraha, thought that since they were Muslims and since they were in favour of the Assamese language and since their Minister Mr Moinul Haque Choudhury was there, the police would never dare to open fire on them.

Pro-Assamese Muslims from the adjoining villages tried to enter Silchar also, but they were persuaded not to do so by the local Muslims of Silchar. The influential Muslims of this town are pro-Bengali and they have been passively supporting the Bengali language agitation. The Muslims of Karimganj are overwhelmingly pro-Bengali and so no disturbances took place there.

The incident of June 19 may appear strange but it was not unexpected. Though the Muslims of Cachar, with the exception a few tribal Muslims, are all Bengali-speaking, some of them have started supporting Assamese and oppos-

ing Bengali. The Hindu-Muslim tension that existed in the British days is continuing in another form. The Muslims in the pre-independence days opposed the Congress and supported the British. In return they received concessions and favours from the British rulers. Today the Assam Government appears to be following a similar policy. Ignoring the claim of many senior Hindu members of the Congress, Mr Fakruddin Ahmad, who is the *de facto* Chief Minister of Assam, selected Mr Moinul Haque Choudhury as Cabinet Minister from Cachar. In grant of land, appointments, issue of permits and licenses, etc. the Muslims of Cachar are always preferred, so that some of them at least have come to realise that by opposing Bengali, their mother-tongue, they stand to win official favours.

A Muslim Assam?

The Muslims of Cachar are apprehensive for another reason also. Ultimately, they fear, Cachar may be separated from Assam and attached to West Bengal. In that case, their position will be precarious since the prospect of living in West Bengal is dreaded by Muslims. Many of them, therefore, prefer to support Assamese against their mother-tongue to living amidst a hostile majority in West Bengal.

The pro-Bengali Muslims in Cachar are still very influential but if Hindu-Muslim riots break out, they will be placed in a very awkward position. They had no difficulty in supporting their mother-tongue against its opponents, Hindus or Muslims. But, when it comes to street-fighting and riots, a Muslim cannot support a Hindu mob in killing other Muslims on the language issue. In a similar situation, the Muslim members of the Congress in the NEFP did not fight against the Muslim League at the time of the Partition. The Hindu-Muslim riots in Cachar will, therefore, unite all Muslims against the pro-Bengali movement. The Assamese gain on this count will, however, be balanced by the loss of support of the Manipuris in Cachar. The Manipuris are Hindus but their

mother-tongue is not Bengali. They would ordinarily have lent their support to the Assamese for doing which they could expect official favours, like the Muslims, but in a communal riot they would not support a Muslim mob killing Hindus.

In the Assamese-speaking districts, there is no tension between Hindus and Muslims. An Assamese hates a Bengali Hindu more than he hates a Bengali Muslim. Bengali Muslims from East Pakistan are, therefore, welcome in Assam. As soon as they come, they declare themselves as Assamese-speaking and, in return, are given liberal land allotments by the Assamese Government. They support the Assamese against Bengalis and when the occasion arises they are ready to fight Bengali Hindus. Since partition Muslims have been pouring into Assam from E Pakistan. This illicit immigration is continuing even today with the tacit connivance of the Assam Government. Muslims have almost become the majority community in Assam. In fact, if the hill areas are excluded, Muslims are already a majority.

Stray cases of arson and assault are still reported from the interior, but the district on the whole is peaceful. Unlike what happened in the Brahmaputra Valley in last July, the administration has not collapsed but has acted excellently well. Technically the situation is well in hand. But how Shri Lal Bahadur Shastri tackles the political situation is yet to be seen.

Meanwhile, the condition of the refugees in Cachar is pitiable. They had never been welcomed in Assam. The relief they got from the Assam Government was always very scanty. Except advancing loans, the Assamese Government did nothing for them. In many places, they have been ejected. They are unprotected against the frequent firings from across the Pakistan border. And within Cachar they are now assaulted and killed and their houses are burnt. Thirteen years after Independence, they are rendered refugees once again and forced to live in camps.

Letter from Geneva

World Conference on Economic Development

Krishna Ahooja

IT was the Laos Conference in the Palais des Nations that was stealing the headlines from the world press. Not far from the Palais, almost unnoticed, twentyfive economists and scientists were also meeting at the 'Centre International'. They had come from fifteen countries to organize a conference on what is perhaps the key question in the twentieth century: economic development of the less advanced countries.

In this preparatory conference, three major regions of the world were represented. The private enterprise economies were represented by economists from the United States, the United Kingdom, France, West Germany, Sweden, Netherlands and Japan. From the centrally-planned economies, those who took part were from the Soviet Union, Poland, Czechoslovakia and Yugoslavia; while India, Indonesia, Ghana and Burma participated on behalf of the industrially less developed countries. The unique feature of this conference, apart from its world-wide representation, was the encounter of some of the most celebrated personalities in the field of economics — Gafurov, Rubenstein, Szulkin from the East; Kuznets, Kaldor, Tinbergen, Lloyd Reynolds from the West. This meeting, the first of its kind, was arranged on the initiative of Professor Gunner Myrdal and Professor Mahalanobis, both of whom have devoted considerable time to problems of economic development.

After five days of intensive discussion, it was unanimously decided to appoint an Organising Committee to convene in India a conference of about hundred economists and scientists at the end of 1962. Professor Mahalanobis has offered the facilities of the Indian Statistical Institute in Calcutta to the Committee for the intervening period.

The most significant achievement of this preparatory conference was the introduction of a new principle in international responsibility. Whether or not tripartite representation or 'troika' is desirable in international conferences and in the U N

Secretariat may be a matter of controversy. But, in this non-governmental conference, a precedent for it has been already established. The Organising Committee is to consist of nine members: three each from the Western, Eastern and the uncommitted nations. It was indeed remarkable that despite considerable discussion and controversial debate, all decisions at the conference were taken unanimously without resort to voting.

There were two points around which the main discussion centered. The first related to the structure, composition and responsibility of the Organising Committee. The second was the list of subjects that the forthcoming conference should discuss. It was generally agreed that the conference on economic development in 1962 should be at a non-governmental and technical level. There is a basic reason behind this decision. The People's Republic of China which has been excluded from many international organisations would be able to participate in the discussions.

Sharp Reactions

What really provoked sharp reactions was the question of Disarmament and Population. It is interesting to note the conflict of attitudes on these two important problems. To take Disarmament first, which is just now problem number one in the international field, Professor Rubenstein, who has made a special study of the American economy, when asked whether he thought Disarmament would contribute to economic development, replied, "Considerably. Can you imagine the vast resources that would be let loose to assist the less-advanced countries?" I was still wondering how many billions of dollars that would make, when he said, "Even in a system like the Americans have, it is necessary to prepare for such an eventuality". He emphasised the point that it was possible to disarm. I asked the same question to Kaldor, the Cambridge economist. He said, "The Russians are making propaganda" and then, after a pause, re-

plied in greater detail. The essence of his argument was that disarmament is desirable, but this does not provide the answer to economic development. Professor Kuznets, who has been measuring national income and growth for over thirty years, thought that disarmament is only one of the problems in considering the ways of developing poor countries. There is a need for a basic scientific theory, which would fill up the many gaps of knowledge on this subject. His use of the word 'poor countries' reminded me of Myrdal, who in a lecture a few days earlier had criticised the complicated terminology that had evolved to describe these countries. He said, "The truth is that these countries are poor, so, why not say so?" While both, the economists from the East and West, underlined the importance of a serious study of disarmament and population, the Western intellectuals appeared to give only limited attention to the economic effects of disarmament.

The Eastern intellectuals did not think that the study of population problems was of great significance. They argued that population does not merit a special working committee. However, in the interest of unanimity, both subjects were given the privileged position of having a special working committee attached to each of them.

The elucidation of many ideas on economic growth would be the most fundamental contribution of the 1962 conference. Two points were emphasised to those who would be preparing papers for this world conference. One, that the purpose of discussion is to seek ways in which the rate of economic growth in the poor countries can be raised. The second point which the participants would keep in mind was the study of the experiences of advanced countries. Those periods of the advanced countries would be specially examined in which the problems of attaining and maintaining a higher rate of economic growth were successfully solved.

From the London End

Restrictions in the Offing

POLITICAL and economic difficulties continue to beset the Government. The inter-Cabinet struggle between Sandys and Macleod on the question of the Northern Rhodesian constitution could lead to an unhappy compromise which may well be unacceptable to the Africans. The policy of sending arms to Portugal against the background of the Angola situation, is coming under fire, not only from the opposition, but from Tory backbenchers as well. On the economic front, the major problems still remain — the stagnation of industrial production, the intractable problem of the balance of payments, the pressure on sterling and the thorny question of association with the European Common Market. While announcing categorically that there would be no devaluation of sterling, the Chancellor of the Exchequer has given a stern warning that in view of the economic situation, Britain must cut her overseas military expenditure, restrain public sector spending and stop the wage spiral caused by leap-frogging pay claims.

Industrial Stagnation

Economic indicators in the U K continue to give little ground for optimism. It is true that after being low for nearly twelve months, the index of industrial production rose in April to 122 compared with 121 in March and 121 in April, 1960, but the rise in itself is pathetic, especially when compared with that in other Western European countries, particularly Western Germany. The only comfort to be drawn from the figures is that the rise has been mainly in the investment goods industries such as construction, machine tools and many other engineering industries. Production in the motor industry did not rise in April and steel production has been virtually static for the past three months. Output has been lower in such industries as shipping and coal. Depression in the consumer durable trades continues and textiles and paper have recently cut back production. Although a rise of one point in the index does not necessarily indicate a change of trend, it serves to confirm recent estimates — particularly that

of the Federation of British Industries issued earlier this month that despite falling orders in some sectors and shortage of skilled labour in others, the overall level of output has, in fact, been rising in the last few months. Production in the first quarter of 1961 is now estimated to have been higher than in the first quarter of 1960.

Production in Industry

Index numbers, 1954 = 100.

(Seasonally adjusted)

Weights	Total industrial production	Total manufacturing
1,000	760	
1948	79.0	77.3
1949	83.6	82.2
1950	88.3	87.8
1951	91.3	91.6
1952	89.2	88.2
1953	94.3	93.7
1954	100.0	100.0
1955	105.1	106.4
1956	105.6	105.9
1957	107.5	108.3
1958	106.3	106.9
1959	112.6	114.1
1960	120.3	122.9
1959 I	108	108
II	111	113
III	114	115
IV	117	120
1960 I	120	122
II	121	124
III	120	123
IV	120	122
1961 I	120	122
January	120	121
February	120	122
March	120	123

Pressure on Sterling

This faint gleam of hope, held up by the prospects of industrial stagnation lifting, has been more that offset by the weakness of the sterling and it looks as if for the eighth time in the post-war period, Britain is facing another exchange crisis. At the moment, although it is quite unlikely that the pound will be devalued, the longer term outlook for the British economy is preventing the return of confidence for the short-term inspired by the statement made in June by the

Director of the International Monetary Fund. The sudden general awakening of the City and wider commercial circles to the long term problems that will persist, is bound to create nervousness which may lead to speculation. Any attack on the sterling, however, the authorities for the time being are able to counter. In a speech to the Associated Chambers of British Commerce on June 22, the Chancellor of the Exchequer reiterated the Government's intention to maintain the £ at its present parity. This intention was in no way affected by the decision of the Canadian dollar. "Having regard to our reserves, to our drawing rights on the International Monetary Fund and to our overseas assets, we are in a strong position to do so".

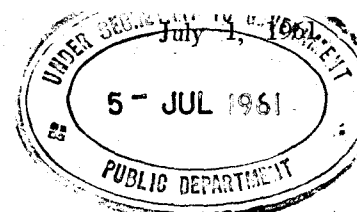
Thus, there is little likelihood of the events of 1957 being repeated. With approximately £ 1,000 m of reserves, £ 900 m of I M F drawing rights, \$ 1,000 m dollar securities and a new willingness on the part of Central Banks to cooperate, any speculative attack on sterling can be countered in the short term. But the long term problem remains.

Despite this strong statement in support of the £ the Chancellor did not attempt to disguise his concern about certain trends in the economy — the persistent weakness in the balance of payments and the tendency of costs and prices to rise. The problems facing the U K are manifold. The balance of payments remains in heavy deficit and costs and prices are rising faster than domestic output, while speculative pressure against sterling continues.

Restraint on Public Sector Spending

In all these circumstances, the only remedy that the Government seems to be able to offer is restraint on public sector spending at home, a cut in overseas military expenditure and a definite attack on wage increases. A slow-down of the capital investment programme of nationalized industries and local authorities and a brake on public building activity is now clearly on the cards. The question is also being asked whether the Government, in its concern at the present

Recovery without Jobs



pace of private office building, will apply a check in some form to this also. But whether or not there will be a return to physical control in some form, including perhaps a restoration of building licence control, is still a matter of speculation. According to a report in *The Financial Times*, Ministers have been heard wryly admitting that the problem is much more difficult to deal with now, than it was in the earlier stages of the post-war Conservative administration when the Government still had the benefit of the planned economy it inherited from Labour.

While the unsatisfactory export position is an important contributory cause of the trade gap, the decline in invisible earnings is really a much more serious problem and this, even more than consumer demand, is what is causing the great anxiety.

Overseas Expenditure Cut

In these circumstances there is certain to be an overhaul in British military spending overseas. This will apply particularly to U K military support costs in Germany. Britain will point out that in view of the relative economic positions of Western Germany and Britain, it is unreasonable for Britain to carry so large a proportion of military costs.

It is likely that this new mood of economy will also be brought to bear on the whole problem of economic aid to under-developed countries and the level of such aid, particularly untied aid, will be adjusted to the state of Britain's current account surplus.

Tory Attack on Wages

But, as usual, the main Tory attack will be directed to the question of wages. To quote the Chancellor, "I do not think that as a nation we can go on with wages and salaries rising at the rate at which they have been lately and seem likely to increase in the near future" "Sooner or later we have to recognise that this eternal leap-frogging process by which all in the various groups try to improve their incomes does them no good as individuals and can do us great harm as a nation".

The Chancellor has also talked of new measures of restraint to curb domestic demand. This probably means that recourse will be

taken to the powers to put a 10 per cent surcharge on indirect taxation once the Finance Bill becomes law at the end of July. Thus the question of wages has once again moved to the centre of the economic scene. Several big Union claims are in the pipeline — the Confederation of Engineering and Shipbuilding Unions has launched its biggest demand so far. The tight state of the labour market and the shortage of skilled workers will certainly make it difficult for the Government to stand out against these demands.

Political Problems

On the political front, also there are problems, the main one relating to the Central African Federation. Although, at the moment, no definite decisions have been reached regarding the proposals for Northern Rhodesia, it is understood that the broad lines of the policy have now been settled after the sharp disagreement between Mr Macleod, the Colonial Secretary, and Mr Sandys, the Commonwealth Relations Secretary. After a fierce and bitter struggle, Macleod was able to resist the proposal sponsored by Sandys to weight the National voting in favour of the Whites, but whether he has been able to defend

the principle of equal representation for Africans and Europeans and thus support non-racialism remains to be seen. The lever being used on Macleod is the referendum on the Southern Rhodesian Constitution. Sir Roy Welensky says that unless it is made quite clear that the majority party in the Northern Rhodesian Government will be pro-Federation, the Southern Rhodesian constitution will be rejected. Whatever plan is finally revealed is bound to cause trouble. If there is any departure from the basic proposals of the White Paper, it will not be accepted by the United National Independent Party, and its leader Mr Kauda has made it quite clear that his people will accept no concessions to the United Federal Party which in turn will reject any plan which does not make it virtually impossible for the African nationalists to gain a majority. Any prospect of racial peace in Central Africa depends upon the British Government not supporting the Sandys-Welensky alliance, as no African leader to-day can hope to maintain his position if he accepts a constitution continuing the policy of White supremacy standing in the way of African majority Government in the near future.



"We have seen that there is a special unemployment problem even at high rates of economic activity and that this kind of chronic or structural unemployment presents a very serious social problem"

National Planning Association Pamphlet No 113.

THE two readily available indicators of the fluctuating economic wealth of the country are:

- (1) Federal Reserve Board's Index of Industrial Production, and,
- (2) The Bureau of Labour Statistics' Unemployment Rate.

Both these measures are comprehensive, easily understood and released on a monthly basis with seasonal adjustments. Emphasis or one or the other depends upon whether attention is primarily focussed on gauging productive efficiency of the system or on indicating short-period changes in the welfare of the people. But the cyclical behaviour of these two indicators is generally expected to show a close and direct relationship.

However one striking phenomenon of the current state of recovery, from the fourth postwar recession, is that while industrial production increased by almost 6 per cent in just two months, unemployment rate (expressed as a per cent of labour force) has not shown any improvement from the March-trough-level of 6.9 per cent. This sluggishness of the unemployment rate with a sharp upturn in industrial production is giving rise to serious concern about possible structural dislocations within the economy.

Table 1 : Industrial Production and Unemployment

	(Seasonally adjusted)	
	Production index	Unemployment rate
	(1957 = 100)	(per cent of labour force)
May 1960 (peak)	110	5.1
Feb 1961	102	6.8
Mar 1961 (trough)	102	6.9
Apr 1961	105	6.8
May 1961	108	6.9

Source : Federal Reserve Board and the U S Bureau of Labour Statistics.

Apart from these immediate developments, attention has also been directed toward the trend in unemployment over the past decade. It is being maintained that certain structural and technological factors are at play that have been intensifying the problem of unemployment quite apart from the slack attributable to the deficiency in aggregate demand. This type of unemployment is described by various adjectives like "hard core," "chronic" and "technological." The problem at issue is whether the attainment of a rapid rate of economic growth by the stimulation of demand can mop up the existing pools of surplus labour or does the problem call for a direct attack on certain structural-technological factors involving relief, retraining and the relocation of the jobless. Here we shall present evidence to indicate the changing level of unemployment that, at first glance, supports the hypothesis of structural dislocation.

Table 2 : Unemployment Rates in 'Good' and 'Bad' Years

(Annual averages)	
Good years	Bad years
1953 2.9	1954 5.6
1957 4.3	1958 6.8
1959 5.5	1961 6.9 *
	(May)

* Seasonally adjusted.

Source : U S Bureau of Labour Statistics

First, looking at the rates of unemployment when business activity was close to peak levels (or to trough levels) there is a clear rising trend of the rate of unemployment over the last decade. In other words, built into the well-known cyclical pattern of unemployment is an upward drift. This is illustrated in Table 2 which shows the annual average rates of unemployment for high business activity (good) years and low business activity (bad) years.

Not only has every successive recession intensified joblessness but also every recovery has failed to create more jobs in relation to previous recovery. Now, if 2 per cent of unemployment is regarded as the minimum unavoidable rate due to "frictional" reasons, then "chronic" unemployment seems to have

risen from less than one per cent in 1953 to 3.5 per cent in 1959. This is basically the way the National Planning Association has gone about measuring the rise in chronic unemployment in a recent publication.

In addition to overall unemployment, figures are available to indicate the duration of unemployment, i.e., a classification of people by the number of weeks they have been out of work. Thus the proportion of these unemployed for 15 weeks or more to the total unemployed is regarded as the measure of long-term unemployment.

Table 3 : Rise in Long Term Unemployment

(Unemployed for 15 weeks and over as % of total unemployed)	
1953	11.3
1957	19.3
1959	27.0
1961 (May)	33.1 *

* Seasonally adjusted.

Source : U S Bureau of Labour Statistics.

The rising trend in long-term unemployment is held as further evidence of the rise in unemployment for other than cyclical reasons.

Finally, the existence of chronic unemployment is claimed from the data on lack of jobs among workers who are not employed by reason of their age, colour, skill, occupation, location or any other special characteristic.

Automation is generally being blamed for technological unemployment, especially among the unskilled "blue-collar" workers, and perhaps also among office workers. Its impact is felt in specific industries, particularly mining and manufacturing. Chronic unemployment is also identified regionally, but this can perhaps be explained by unfavourable industrial structure of the areas. The hard core element of the unemployment rate is shown in specific groups like the youth and negroes. A following article will describe the unemployment structure by 5 types of classification, followed by an appraisal of this evidence and the available counter-evidence regarding the rise of chronic unemployment.

One who did not waver...

Jamshedpur's latest blast furnace needed a 'big bell'—a 20-ton component requiring highly skilled casting and machining. A difficult operation even if the right machine tools were available, but in 1958 they were not, and import seemed the only solution to all but one determined and resourceful young engineer, N. P. Naik.

Working on this problem in his leisure hours, Naik gradually crystallised his ideas into mathematical formulae and blue-prints. He developed, at the same time, a new machine tool to do the job by remodelling a small boring machine, stage by stage. Then started the casting and intricate machining, until, in a short time, Naik and his colleagues succeeded in producing a

'big bell', fully meeting the technical specifications to the last detail. As a tribute to Naik's fine endeavour, Tata Steel gave him an award of Rs. 10,000, the highest made under a ten-year old scheme to encourage initiative from the shop floor.

Men like Naik are carrying forward a fine Jamshedpur tradition, recalling Jamsetji Tata's exhortation: "Let the Indian learn to do things for himself."



Letter from Japan

Calling Tourists!

THE eighth post-war edition of *Japan, the Official Guide*, price \$6.50, is out. The internal price is ¥1,200; so the difference between external and internal sale price is considerable. Though it is an official publication, sponsored by the Tourist Industry Bureau of the Ministry of Transport, it is an invaluable *vade mecum* to all the east-bound travellers. Let me mention some of its merits. Its 1,013 pages contain no advertisements and the hotels and restaurants recommended in it are all reliable, though the choice perhaps lacks imagination. But, then, it makes no claim to be the Japanese version of the Michelin Guide to France!

As if to apologise for its conservatism, the Official Guide embarks bravely on descriptions of the types of food one can get if one dares to go to the appropriate restaurant; among these are "sashimi (raw fish cut into thin slices) yakimono (broiled fish and fowl)". It goes on to make the following typical Japanese remark, clear to the Japanese but obscure to foreigners: "Utensils, in which the food is served, are of many varieties; they are of different shapes, designs and sizes, and adapted to their different content." The shape of the plate is unlikely to matter much to a starving foreigner anxious to eat. The only foreign restaurants in Tokyo mentioned are the European ones; and the Indian and Indonesian restaurants, which are quite well known to the local inhabitants, are completely omitted.

There are useful maps and statistics of various sorts (although not always as up to date as one would wish) and a comprehensive index which, however, is sometimes not sufficiently precise to the anxious traveller. There is no heading 'food' or 'accommodation' nor, strangely enough, 'geisha' although reference to these essentials of Japanese life may be found on almost every page. This is because the authors of the book conceive of Japan as being based on railway lines. One starts at a main centre, say Tokyo or Osaka, then chooses a famous spot say Nikko or Nara and then reads about all the places in between. One should not deviate

from the set route, even at the cost of missing most of the fun. For, the real joy of Japan is the ability to wander. Beautiful walking itineraries are still possible. A non-Japanese friend of mine, 80 years old, has walked several times from Tokyo to Osaka, a distance of 400 odd miles. So compelling are the attractions of the route. One can feel the authors of this book throwing up their hands in horror for fear of the misfortunes that might befall such an adventurous traveller.

What Will Interest the Tourist?

It is this conflict between what a Japanese himself would like in a travel guide and what he feels (often wrongly) a foreigner is likely to want which makes this book such entertaining reading. Let me give some examples.

Japan abounds in volcanoes. There are frequent references to them. The guide book, on p 63, states as follows: "As a result of frequent eruptions and explosions, many of the Japanese volcanoes have come to possess irregular but very beautiful shapes as may be seen in Mt Hakkoda, Mt Bandai in the N E district". This theme is repeated again and again but the idea that even if foreigners may be fascinated by eruptions and explosions, they may not care for miles of bare, hot lava, however fantastic the shape of the volcano, does not occur to our Japanese author.

Or, again, about the war. "Japan was compelled to be a military nation. From the early years of Meiji, the government devoted its effort and energy to the development of heavy industry". (p 95). Here follows statistics of the proportion of heavy and light industry. The war must be thought of as something forced on the unwilling Japanese people, not as part of the Japanese history of the last 100 years!

Or, again, judo is now a respectable sport; so, it is associated with boxing and wrestling as having "common tricks", (p 219). But, karata, a very popular sport based on striking an opponent in a vulnerable spot is omitted because it is thought that it will not appeal to foreigners.

Every now and then, however, the author bravely criticises some of his own country's facilities. On p 621 he describes an Ainu village in Chikabumi in Hokkaido and then states: "It is nothing like as interesting as the settlement at Shiraoi near Noboribetsu." This rare flash of criticism, always present in a good guide book, rarely breaks through the dull description of train itineraries.

Except in one field: Baths. Apart from Finland, Japan has certainly the primacy in bathroom science. This guidebook has practical advice for the would-be bather. Do not soap yourself in the water. Use the special cloth (Japanese name given). Shave in the sitting room, not in the bath water, etc. Spas are always recommended for their bathing facilities. Finally, the following account is given (p 524) of the bath *par excellence* at Kusatsu which I cannot resist quoting in full:

"The chief public bath, called Netsu-no-yu (Heat Bath), stands in the town square. Its water is so hot that bathers put themselves under a sort of military discipline, with a 'bathmaster' directing operations. The first process consists of reducing the temperature by stirring up the waters with long boards, which the bathers rock from side to side while chanting a chorus. At the bathmaster's command, the bathers, who frequently number as many as 200, enter the bath, where they remain absolutely motionless for 3 to 4 min. Any movement, of course, would make the heat of the bath doubly trying to the bathers. At intervals of a minute or so the master announces how much longer they have to stay in the bath, and to this all the bathers answer in chorus. Thus the bathmaster will say: "If you are all ready—enter the water", followed by the declaration, "Three minutes more," then "Only two minutes more", and then "Just a little longer", and finally "Get out of the water s-l-o-w-l-y". This last order is obeyed instantly".

On that note I will leave the reader with the strong recommendation that all travellers to Japan should buy and digest this low priced, useful little guide.

The Diversionists

D D Karve

There are people in this country, many of whom pass for leaders, whose mission in life is to sponsor movements and ideas which create diversions in peoples' minds.

Among such leaders are philosophers and gurus in the old tradition who, instead of living a life of retirement and meditation, try to grapple with modern problems and suggest solutions for them which are completely out of touch with the times.

If the diversionists do not succeed in drawing away a large number of people from their legitimate pursuits, they do not do much harm.

But one has to be constantly alert against new fads.

THERE are a number of people in India who are engaged in formulating or executing schemes aimed at raising the standard of living of the people. They are to be found not only in the governments in the Centre and the States, but also among non-officials. There may be differences of opinion about the effectiveness of the Plans, about the wisdom of concentrating on certain schemes and not on others, but at least about the main objectives of all these people — greater production and better distribution of all kinds of goods and the elimination of the contrast between immense wealth and abject poverty — there is general agreement. Thus many experts think that the emphasis on the establishment of heavy industry is wrong and that small-scale industries or agriculture should receive more attention. Others are of the opinion that all efforts should be concentrated on the removal of unemployment or that we should sacrifice everything in order to increase our exports, and so on. But I think one can say that the planners, the administrators and even the politicians and legislators who directly or indirectly participate in this process are engaged in something positive.

Philosophers and Gurus

But there are people in this country, many of whom pass for leaders, whose mission in life appears to be to sponsor movements and ideas which merely serve to create diversions in peoples' minds and also mislead them into believing that something extremely important is at stake. Some of these leaders are philosophers and gurus in the old tradition who instead of living a life of retirement and meditation, try to deal with modern problems and suggest solutions and advocate methods which are completely out of

touch with the modern world. Their mystic ways may attract people for a time, but if one draws up a balance sheet of their achievements, one comes up with very little on the credit side. Then there are those who, having failed to realise their ambitions, or disgusted with the dishonesty and corruption in public life, try to divert their own and other people's attention to trivial matters, which, however, are made to appear terribly important.

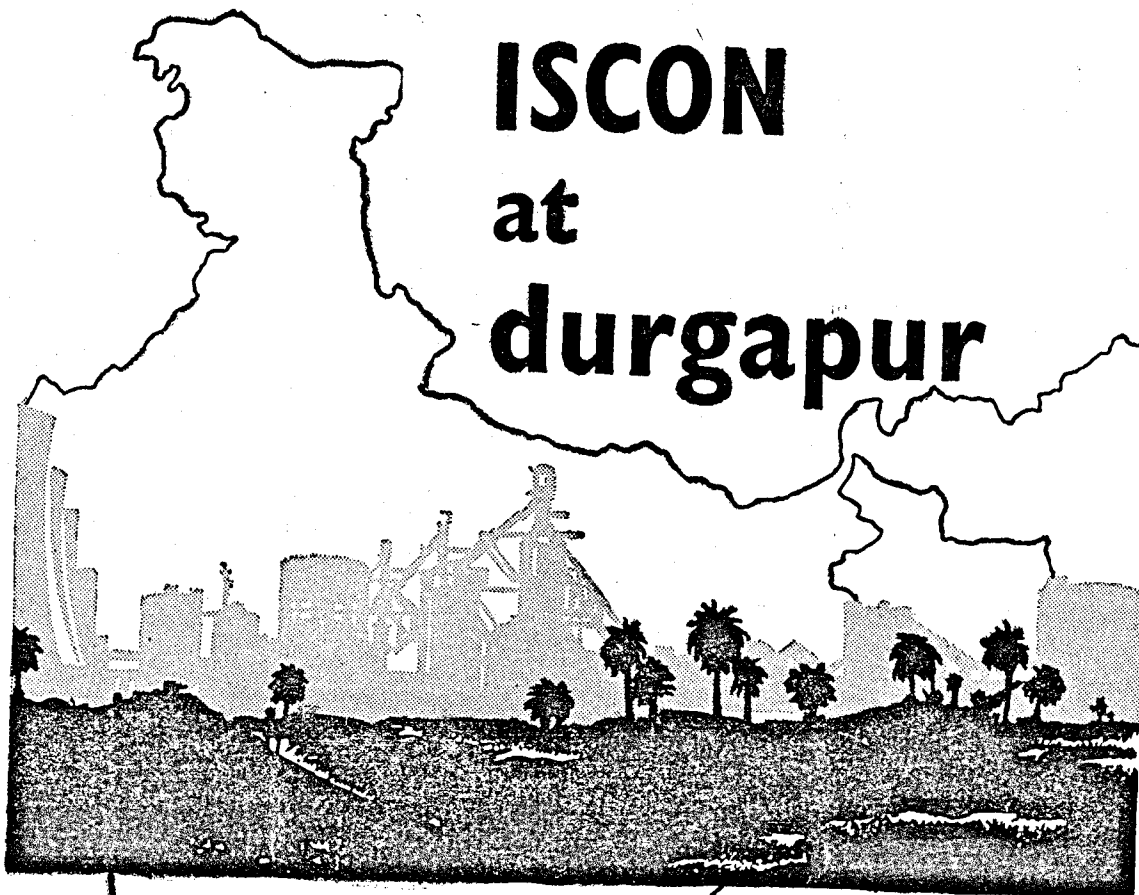
Although it is not the intention of the writer to make an exhaustive list of these diversionists or their pet fads, a few of these may be mentioned to illustrate my thesis. The first and the most prominent is probably the Bhoodan movement with its off-shoots: Shramdan, Sampattidan etc (land-gift, labour-gift, wealth-gift). Closely associated with these is the idea of the "self-sufficient village". The Bhoodan movement was started several years ago and although on paper the gifts of land to be distributed among the landless total up to several lakh acres, nobody has yet come out with a convincing statement about what actually has been achieved — whether there has been an increase in agricultural production in the lands so distributed, or how many thousand families of landless people have been settled on the donated land — or anything positive and definite of this kind. All that the movement has succeeded in doing is to divert the people's minds from the really serious work of raising production in agriculture and industry. A landless agricultural labourer cannot possibly be in a position to put in the necessary capital for land improvement, purchase of implements, fertilizers and better seed for raising the yield of the land that may be given to him. There may be, it is true, owners of

large holdings who do not help their tenants to get more out of their land, or who are extorting exorbitant rents. But the legislation on tenancy and land ceilings is intended to remedy that state of affairs. It cannot possibly be changed by collecting on paper donations of land from some landlords to be distributed to the so-called land-hungry.

Quixotic Approach

And when the Bhoodan movement is coupled with the movement to make villages self-sufficient, the diversion becomes actually a hindrance to progress. Indian villages, with their caste rivalries, narrow parochial outlook and meagre resources need active contact with the outside world, a breaking down of old traditions of life and outlook, an injection of new thought and hard work. The move to make villages self-sufficient will on the other hand have the result of keeping these stagnant pools insulated from the outside world and the stream of new ideas. It is perhaps fortunate that the men who control the destiny of our land, though they occasionally pay lip-service to these diversionists, do get on with the task of rapid industrialisation, which necessarily brings with it urbanisation of the rural population. Of course, nobody maintains that urbanisation is an unmixed good, but to insist that villages ought to make everything that they need or that they should be satisfied with the things that they can produce tantamounts to stopping the march of time. Actually it is necessary to reduce the pressure on land and bring down the present high proportion of people living in villages by absorbing them in non-agricultural occupations — a process that will establish a healthier pattern of relations between village and town.

ISCON at durgapur



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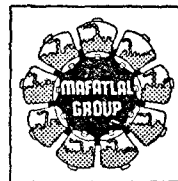
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had its salutary effects, albeit belatedly, on the reappraisal of U S policy in this region. If appearances are not too deceptive the ideas of a dynamic neutralism fathered by the founders of the new India have meandered their way into the niche of respectability. "We strongly and unreservedly support," said President Kennedy, "the goal of an independent and neutral Laos tied to no outside power or group of powers, threatened by no one, and free from any domination."

In his London conference of May 31, 1961, Phouma reiterated his earlier critique: "I must say to my regret that the United States Government did not understand the necessity of Laotian neutrality and they attempted to overthrow me. That's the reason why in 1958 I left the government. After my departure our policy of neutrality was repudiated and the upshot was a resumption of the civil war" and the rise of Captain Kong Le.

Laotian Neutrality and SEATO

Central to the thesis of the neutralist Prince, now embodied in the troika agreement, is the neutrality of Laos, the withdrawal of all foreign troops and the repudiation of any agreements Laos may have signed which hitched it to the SEATO chariot. We have, declared the neutralist Prince, a common frontier of a thousand miles with China and North Vietnam, and it is our intention to maintain cordial relations with all powers irrespective of their political propensities, on the condition that this does not countervail Laotian neutrality.

Asked at Zurich if he believed whether the Soviets and Chinese would accept a neutral Laos the Prince replied that in his talks in Peking and Moscow he told their leaders that if they had the intention of communising the kingdom the West would not permit it and the seeds of discord would be sown. "With regard the Pathet Lao", he went on, "it is above all a patriotic movement even if many of their leaders are communists. In any case when the elections are held the Neo Lao Hak Zat Party will not be the exclusive political party at the polls. The bulk of Laotian opinion as well as world opinion is behind me."

Underlining his indictment of SEATO as a disruptive force in

the national life he charged: "We are not confronted with an international war, but with a civil war or rather a fratricidal war. I say again that the Vietnamese and Chinese are not in our country. It is the Americans who are fanning the civil war, pitting Laotians against Laotians. It is they who have sabotaged the Vientiane agreements and the coalition government capable of harmonising the conflicting tendencies in the kingdom."

Communist View

While underscoring the failures of American policy the Prince has not been as violently outspoken in his denunciations as the Pathet Lao and Marshall Chen Yi. It is their view that the primary meaning of Laotian neutrality is non-participation in military entanglements, and that it is spurious to argue that SEATO is a purely "defensive" organisation when the majority of its members are European powers, and in view of the evidence of the past seven years.

The ushering in of SEATO into Laos was accompanied by the advent of the Military Assistance Advisory Group and the utilisation of some of the remnants of the Kuomintang forces, as Mr Averell Harriman acknowledged at this conference, for use in military operations in Laos. It is argued by the Sino-Soviet bloc, therefore, that it is the U S and some of its allies in SEATO that have infringed the neutrality of the country and if there should be any control it is the Manila Pact countries that deserve it.

Aid Goes Down the Drain

The previous American administration was unprepared to accept a neutral government, identified as neutralism was with original sin. It is true that the Cuban fiasco was a crucial catalytic agent in eliciting a new turn; however, one suspects that it has come too late. Generous and well-intentioned as U S foreign aid has been, it has failed to assist the economic take-off and the political penumbra that accompanied this aid has led to the present political impasse. "Except for General Nosavan", declared an American diplomat, "we have nothing to show for our prodigious foreign aid effort."

George Santayana was never tired of saying that "those who re-

fuse to learn from history are condemned to repeat it." More than 300 million dollars (including military aid) were allocated to Laos (population 3 million) since 1955 and this inflow of largesse has not even touched the fringe of Laotian misery. Night clubs, modernized brothels and custom built limousines and "ministerial" villas are in evidence. The tragedy of the situation is stark and it is reported that Prince Boun Oum and General Nosavan and several other ministers have salted away considerable sums in Swiss and Hong Kong banks in expectation of the winds of reckoning. The picture is sombre, scandalously redolent of the Kuomintang in its last days of agony.

It is against this background that the conference unfolds.

1954 Agreements

The 1954 agreements consist of two parts: the final declaration of the Geneva conference and the declarations made by some states, which constitute international agreements of a political nature under which the members of the conference jointly assumed obligations; and, on the other, the agreements on the cessation of hostilities which were military agreements signed by the fighting forces of that time.

Much anguish would have been avoidable if the Canadians had not withdrawn from the Commission in a crucial period of its gestation. Touching the nub of the matter Mr Menon indicated that "my Government has not agreed in the past with the Canadian view that the Laotian government has the right to abrogate the Geneva agreement by itself". Without recourse to the esoteric language of diplomacy he went on: "An agreement is an agreement. Unless it is denounced, it is still an agreement. That is why we said that the Geneva agreement stands, and whatever we pass here will not take the agreement over until the Laotian authorities, and various others who put their signatures to it, and by statements afterwards consider themselves committed to it, have abrogated the whole or any part of it." According to this the agreement is an international covenant and hence the Laotian government cannot turn the Commission out since the Commission is a product of an international agreement.

U S and its Allies

As is well known many members of the Canadian government privately accepted the impeccable logic of this, but given the particular dependent status of Canada, overwhelming pressure was brought to bear on the Canadian Ministry of External Affairs to shift its position which amounted to scuttling the Commission. Yet there are perceptible changes running through Canadian policy. The U S can ill afford to rely on Canada as an uncritical executor of State Department policy. As the *U S News and World Report* tritely commented: "What the United States is up against here can be seen from the fact that it can count on total support only from two nations at the conference table — South Vietnam and Thailand". There is no joint western strategy and "months of U S talks with the British and French have failed to produce one. On issue after issue, the U S finds its own allies critical of its proposals." And this alienation from its allies has deepened since May 16, with the refusal of Mr Harriman to produce a viable plan or to participate in substantive discussions.

A Super I C C Will not Do

The position of the Neo Lao Hak Zai and the neutralist camp point to the historic changes since 1954. The 1954 agreement put an end to an international war, whereas the present conditions are spawned by a civil war. Indeed the French delegate, M Chauvel who has been one of the keenest spirits behind a super I C C acknowledged the salient differences between the colonial war of 1954 and the present conflict. Unfortunately the French representative did not draw the logical inference from this position.

Indeed, the approach of the neutralist-Pathet Lao coalition is that an agreement reached at the conference should be predicated on the 1954 Geneva agreements. But this basis can only be the final declaration of the Geneva conference and the declaration of the States concerned, which are of lasting significance, and cannot be the agreement on the cessation of hostilities in Laos which only applies to the specific conditions of the time.

The French draft proposal, supported by Western powers, calls for an international organ which must have access to any part of the nation without prior consent of any civil or military authority, national or local. In addition, as Mr Rusk argues, this commission must have its own means of transport and communication which must be placed exclusively under its orders. Further this control organ, as Mr Rusk suggests, must be able to intervene immediately following the complaint of any neighbour represented at the present conference.

Leaving out the legal niceties, what the French proposal amounts to, as the Burmese delegate noted, was that a super organ would have all the rights and Laos all the obligations. Under these conditions, neutrality and independence, the cornerstone of the Geneva agreements, would be easily circumscribed; it would tantamount to an international condominium under which, in Mr Menon's words, the international organ "becomes a sort of super-government in the country, a State within a State."

Gromyko Plan

Whatever ulterior motives the Gromyko plan may hide, at least it possesses the attributes of clarity, and indeed many of the Soviet proposals figure in the common agreement of the "three princes" at Zurich. In the draft declaration of the neutrality of Laos and the draft agreement on the withdrawal from the territory of Laos of foreign and military personnel, a clear cut

distinction is drawn between the external aspects of the Laotian question and the internal issues which should be tackled by the Laotians themselves.

The main provisions of the Soviet draft call for the withdrawal from the territory of Laos of all foreign military units, military missions, military advisers, instructors and consultants as well as all foreign civilians connected with the supply, maintenance, storage and utilisation of military equipment, except conventional military equipment necessary for national defence. And in this respect the I C C should be granted powers commensurate with its duties, but that it should be an auxiliary to the Laotian government.

Hopeful Prospect

In Mr Gromyko's words: "We are firmly and consistently of the opinion that the I C C can by no degree be substitute of the Government of that country. Could the setting up of the I C C entrusted with the powers which are envisaged for it in the Soviet proposals and which works according to the rule of the unanimous decision, harm Laos itself or any other State, be it a neighbour of Laos or a State far from that area?"

Undoubtedly there are many hurdles to be cleared before a smooth working agreement is reached, but they are unlikely to prove fatal and the Zurich talks will be continued at Phnom Penh and within Laos itself. From the mountain of words, much more than a mouse of agreement has emerged.

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Towards a Rational Wage Structure in India

Problems and Preconditions

T V Sethuraman

The absence of a comprehensive system of wage regulation is acutely felt today.

The need to regulate wages was realised only when prices and cost of living had gone up so high as to create acute hardships for workers. Even then more reliance was placed on dearness allowance and bonus than on a well-planned graduation of wage rates.

To evolve an integrated, rational wage structure it is necessary to create a standing wage fixing machinery at the Centre and in the States as also permanent wage boards for each industry.

THE State can regulate wages in two ways. It may directly fix wages by statute throughout the country or may entrust the matter to agencies like a wage board, or a permanent commission or an arbitration court. All these come under direct State regulation of wages. The State may also take indirect action by regulating wages in public employment and public contracts and by legal extension of voluntary collective agreements to third parties in an industry.

There are three important principles to be considered in fixing the level of minimum wages. The wages fixed in one trade should be related to the wages of workers of similar grade in other trades. This is the principle of Fair Wages or Standardisation of Wages. The term 'fair wages' is at once applicable to the employers as well as the employees — fairness when applied to workers signifies that rewards for similar work or skill will be equal and used in the context of the employers it denotes that cost of production will be equal for the same work. Wide variation in wage rate is the normal feature in areas where wages remain unregulated. Standardisation of wages, it should be remembered, follows and does not precede the establishment of minimum wages. The term 'fair wages', in addition to these, is also taken to signify that fair margins will be maintained between the wages of unskilled, semi-skilled and skilled workers.

LIVING WAGE

The second principle, the living wage, is essentially an ethical rather

than an economic principle. It is often pointed out that the worker has a fundamental economic right to a living wage from the produce of the industry and that industrial efficiency cannot be maintained unless the worker is able to enjoy a satisfactory standard of living. The living wage in money terms varies as between trades and regions. To facilitate analysis, we may divide levels of living broadly into the following categories:

The poverty level: The income earned by the worker does not provide him even the bare necessities of life.

Bare subsistence level: The income of the worker in this group, just covers the physical necessities of life, viz, food, clothing and shelter. He is hardly able to make both ends meet.

Minimum for health and efficiency: The income here covers expenditure necessary to maintain the health and efficiency of the worker.

Minimum comfort level or minimum for health and decency: This covers a greater variety of the necessities of life and certain other comforts.

[The United Provinces Labour Enquiry Committee classified levels of living in a similar manner when they gave the following four categories: (i) The poverty level, (ii) the minimum subsistence level, (iii) the subsistence plus level and (iv) the comfort level.]

Of these, the standard that is generally adopted for determining the

living wage is either the bare subsistence level or the minimum for health and efficiency level. One of the important criticisms levelled against the use of this method is that the concept of living wage does not take into account the value of the contribution made by the worker to the industry. Wages, it may be pointed out, should always be related to productivity. The living wage to be an effective wage should take into consideration the capacity of the industry to pay, which becomes, incidentally, the third principle determining the minimum wage in an industry. The capacity of an industry to pay may be calculated with reference to a particular unit within an industry, or of a particular industry or with regard to all industries in a country. In New Zealand and Australia this is calculated with reference to all industries, no special concession being shown to depressed ones. It may be noted that the Fair Wages Committee in India has pointed out that it would be wrong to calculate the capacity with reference to either a unit or all industries. — the relevant criterion should be the capacity of a particular industry in a particular region and within that region as far as possible the same wages should be prescribed for all units of the industry.

The wage-paying capacity of an industry may be determined by adopting any one of the following basis: (i) Selling price, (ii) output, (iii) profit and loss, (iv) volume of employment, and (v) exports. The usual method is the profit and loss basis since the other bases suffer from more serious limitations.

Though any one of these various bases may be adopted, still there is no specific formula for determining the capacity of an industry to pay a particular wage. The abovementioned criteria may help us only to get some idea about the financial soundness of an industry.

The relationship between the three principles discussed above is well brought out by the Fair Wages Committee when they point out that the lower limit of the fair wage is determined by the minimum wage while the upper limit is set by the capacity of the industry to pay — depending not only on the present economic position of the industry, but also on its future prospects. Between these two limits come the actual wages influenced by various factors like the productivity of labour, the prevailing rates of wages in similar occupations, the level of national income, etc.

NEED FOR WAGE REGULATION

Since the standard of living of the wage-earner is largely determined by the wages paid to him, the determination of the size of the wage and the method of wage payment constitute some of the important issues in a study of labour problems. Various theories are put forward to explain the prevailing wage level. Of these, that which is generally accepted by economists is the marginal productivity theory which "explains wages as a distributive share earned by labour in accordance with

the contribution made by it to the value of the product". According to this theory, under conditions of perfect competition, it will pay employers to continue to hire workers until the value of the product of the last worker hired is equal to the wages paid to that additional worker. 'Labour tends to move into the industries which are paying higher wages, until the wage rate is the same in all industries,' resulting in equality of incomes — what Pigou would call a "fair wage". The absence of conditions of perfect competition provides justification for the organisation of workers and State intervention.

Article 39 of our Constitution lays down the principle of equal pay for equal work for both men and women. Article 43, on the other hand, ensures to all workers a living wage, a decent standard of life, full enjoyment of leisure and social and cultural opportunities. But the peculiar nature of the recruitment of labour in India, the substitute labour system, the illiteracy of the worker and his ignorance of other occupations tend to make the labour market a buyer's market. Not only is the Indian labour market imperfect, but also conditions of monopoly or something approaching it prevail. To add to these there is no free mobility of labour due to several reasons. The question of State interference in industrial disputes became pronounced in 1947 since that year witnessed industrial

unrest on an unprecedented scale — the number of man-days lost during that year being 16.6 millions, the highest figure recorded since 1939. This led to the appointment of the Fair Wages Committee which held the attainment of living wage as difficult and recommended a fair wage.

MINIMUM WAGES ACT

The Minimum Wages Act was passed in 1948 which enabled the Central and State Governments to fix minimum rates of wages payable to employees in a number of sweated industries like woollen carpet making, tobacco manufactories, plantations, oil mills, lac manufactories, etc. The Act also authorised the Governments to extend its application to any industry wherein, in their opinion, statutory minimum wages should be fixed. The then provincial governments were required either to appoint a committee consisting of equal numbers of representatives of employers and workers in the industry concerned to advise them or publish their own proposals in their Gazettes giving at least two months' time to the interested parties to make their own adequate representations. On the basis of the advice of the committee and representations received from interested parties the State Governments would fix the minimum wage payable and this would come into force three months after the official publication of the decision. The

Act also required the appropriate government to fix a minimum time rate, a minimum piece rate and a minimum overtime rate. Different minimum rates of wages may be paid for different scheduled employments for different classes of work and for different localities. It should be borne in mind here that minimum wage legislation does not altogether mitigate wage variations between regions, but helps to reduce at least wage disparities within a region.

WAGES AND INDUSTRIAL FRICTION

Available statistics of industrial disputes show that wages and allied matters are the major source of friction between employers and workers. Table 1 shows the importance of wages as a cause of industrial disputes in India. It is noteworthy that disputes relating to wages and allowances were the highest in number, followed closely by those relating to personnel. These two accounted in 1959 for 52.6 per cent of all disputes (regarding which information is available), 41.4 per cent of total workers involved and 43.5 per cent of total man-days lost. The corresponding percentages for 1958 under the same causes were 59.7, 59.0 and 67.9 respectively. Thus there was a decrease in the percentage of disputes, workers involved and man-days lost due to wages and allowances and personnel, in 1959, compared with the previous year.

A classification of industrial disputes by results will show that in

1958, 32.3 per cent of the total were successful from the workers' point of view, 16.9 per cent partially successful and 28 per cent were unsuccessful. The remaining may be classified as indefinite. In 1959, 23.7 per cent of the total disputes were successful, 14 per cent partially successful and 32.3 per cent unsuccessful. Regarding the remaining 30 per cent final decisions were not reached at the time of computing.

It may be interesting to note in this context the trend in money and real earnings of factory workers in India. Table 2 presents the annual money earnings and real earnings and the cost of living in 1939 and 1955. It is clear that the real wage levels in our country did not recover from their wartime low level until 1952. Although money and real wages have risen greatly in 1955, a 15 per cent rise in the All India Consumer Price Index from 1955 to 1957 suggests that real wages have not maintained the 1955 trend.

PROBLEMS

Now let us turn to some specific problems connected with the formulation of a minimum wage policy. The first issue to be decided is whether such a policy should aim at the establishment of a rationally uniform minimum wage or a more differentiated system of minimum wages, taking into account the differences in prosperity in different industries and areas. The method of fixing a uniform wage is known as

the Fixed Minimum Wage System or the Flat Rate Laws. The system of fixing a uniform minimum rate of remuneration for the whole country is said to be adopted in Philippines. But in practice even the most general regulation we find provides far more than one minimum wage to allow for inter-regional differences in the cost of living and maintain wage differentials between workers of different age or sex, etc. In most of the countries the system adopted is that of separate regulations specifying minimum wages for each industry separately. The choice here between a uniform and a more diversified wage level depends essentially upon the purpose of minimum wage policy. If the purpose is to assure every worker a certain minimum standard of living, the uniform basic wage or 'wage floor' is preferred. But if the purpose is to ensure that every worker or group of workers should receive a reasonable share of the revenue of the particular firm or industry in which he is employed, a more diversified minimum wage system is adopted.

The second problem is that of striking a balance between the workers' need to maintain a minimum standard of living and the economic and social feasibility of ensuring them such a standard. "The determination of the workers' normal needs, which minimum wage regulations aim to satisfy, consists essentially in drawing up a household budget, taking account of certain nutritional, medical and other relevant standards and computing its cost. The list of items included in the budget may be short or long according to whether it is to represent, say, a minimum subsistence level or a minimum level of health and frugal comfort." (International Labour Office: "Problems of Wage Policy in Asian Countries," p 85.) Justice Higgins and Justice Heydon conducted such an enquiry in Australia in 1907 and 1914 respectively. Another method by which this is calculated — also usually adopted — is that based on the calorie requirements of a worker. The normal requirements for an average person usually vary between 3000 to 3500 calories. Scientific analysis showing the number of calories contained in different kinds of food has been made and with its help a diet is drawn up. The cost

Table 1: Classification of Industrial Disputes by Causes

Causes	1959			1958		
	No of disputes	No of workers involved	Man-days lost	No of disputes	No of workers involved	Man-days lost
Wage and allowances	405 (25.5)	138,009	1,054,611	464 (30.5)	340,608	3,100,576
Bonus	153 (10.0)	96,941	512,027	173 (11.4)	115,209	1,046,921
Personnel	382 (25.0)	142,883	1,346,975	443 (29.2)	204,921	2,191,225
Retrenchment	53 (3.5)	13,471	263,105	56 (3.7)	14,879	102,140
Leave and hours of work	55 (3.6)	26,124	29,173	47 (3.1)	23,856	74,811
Others	444 (29.0)	261,160	2,311,438	331 (21.7)	227,733	1,275,845
Not known	39 (2.5)	15,028	115,999	10 (0.6)	1,960	6,056
Total	1,531	693,616	5,633,148	1,524	928,566	7,797,585

Figures in brackets indicate percentages.

Table 2: Indices of Money and Real Earnings of Indian Factory Workers: 1939-1955

Year	Cost of living	Annual money earnings	Annual real earnings (1939 = 100)
1939	100	100	100
1941	107	111	104
1943	268	180	67
1945	269	201	75
1947	323	253	78
1949	371	340	92
1951	387	357	92
1952	379	386	102
1953	385	385	100
1954	371	381	103
1955	352	401	114
(estimated)			
1956	385	—	—
(estimated)			

Source: Charles A Myers: "India" in "Labour and Economic Development", edited by Walter Galenson, P 43.

of this diet is then calculated with reference to the prevailing prices. In England, Rountree carried out an investigation in 1918 which he revised in 1936, to determine a minimum standard of human needs. The Health Survey and Development Committee in India (1946) recommended a daily intake of 3000 calories for an average normal worker.

WAGES AND CAPITAL FORMATION

The wage structure in a country should be compatible with a high rate of capital accumulation so that in the early stages of development at least, rising production may not be absorbed by rising consumption. The rapid growth of population creates new problems of wage policy. The rate of population growth may equal or exceed the rate of capital accumulation so that the capital-labour ratio remains constant or falls and the growth of production per head is checked. In India as Professor Radhakamal Mukerjee writes, "... at the present level of industrial wages in the country, a material rise of the industrial workers' earnings and standard of living rests more on improved efficiency and output than on the transfer of the earnings of capital and management to the labour force. This indeed forms the crux of the future wage policy in the country."

A study of the effect of minimum wage fixation on output and prices will show that it will result in increasing the cost of production. Unless this rise is passed on to the consumers, output will decrease and unemployment will result. It is difficult to predict the behaviour of prices. Suffice it to say that it depends upon the elasticity or inelasticity of demand for that product.

Minimum wage legislation is often opposed on the ground that the minimum becomes the maximum, that, "it keeps all workers at a dead level and that efficiency and skill is discouraged." It is often pointed out that minimum wage regulation tends to reduce the margin between skilled and unskilled workers. But this is a remote possibility, since "cutting the wages of skilled workers as a result of minimum wage fixation for unskilled workers, can be ruled

out not only because skilled workers are scarce and competition amongst employers is great, but because under the Trade Disputes Act, a cut cannot be made unless it is sanctioned by the Arbitration authority". Further, the experience of western countries like the USA and UK has not proved that the minimum will become the maximum.

NEED FOR STANDING WAGE FIXING MACHINERY

The absence of a comprehensive system of wage regulation is widely felt. In India, the need for increasing the remuneration of labour was realised only when prices and cost of living had gone up so high as to create acute hardship to industrial workers. Greater reliance was placed on dearness allowance and bonuses rather than on a well-planned graduation of the wage rate to cope with the rise in the cost of

living. What is needed is only the building up of an integrated and rationalised wage structure. It is necessary that there should be a standing wage fixing machinery at Central and State levels and wage boards for each industry separately. Wages in India have been fixed mainly by adjudicators, tribunals or industrial courts in the course of the settlement of industrial disputes from time to time. This has resulted in lack of uniformity. It may be pointed out that in industries where labour is strongly organised, wage boards are unnecessary, since workers themselves could bargain collectively. But in industries where there is no proper organisation for workers, where sweated labour exists, the establishment of wage boards is necessary. Wage boards are now being set up, but they are only *ad hoc* investigating bodies and do not serve the purpose of a standing machinery.

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An Estimate of Deficit Financing in the Second Plan

J D Sethi

The quantum of deficit financing remains the most unsatisfactory aspect of budgetary calculations of the Government of India.

Even official estimates often differ. For instance, the "Economic Survey" for 1960-61 issued along with the Budget gave one estimate of deficit financing in the Second Plan (Rs 1,175 crores) while the Finance Minister gave another in his Budget Speech (Rs 1,100 crores).

The difficulty, however, does not stem from the definition of deficit financing, though it is true that one can arrive at different estimates of the quantum of deficit financing by adopting different definitions.

The estimate of deficit financing made below, though based on the definition by the Planning Commission, which is generally accepted, is much lower than either the official estimate or other much more inflated figures.

DEFICIT financing, as defined by the Planning Commission, is the residue after taking into account receipts from (i) taxes, (ii) public borrowing, (iii) funded debts, and (iv) foreign resources and assistance. Deficit financing, then, is that part of the Government's outlay which is financed through its power to create money or through borrowing from the Reserve Bank or by running down its cash balance with the Reserve Bank and any operation of this type in the reverse is automatically anti-deficit financing. How far the Government should manipulate the levers of deficit financing is a controversial question and more a matter of opinion. Hence this aspect will not be discussed here.

The original target of deficit financing in the Second Plan of Rs 1,200 crores was a disturbing one as it was equated with a simple monetary, gap-filling mechanism which was likely to result in about 65 per cent increase in currency and an increase in the total money supply of more or less the same order. The attitude underlying the estimate was as devoid of rational anticipation and proper forecasting as was the arbitrary figure of Rs 1,200 crores. Counter-balancing, neutralizing or accelerating factors were neglected. It is necessary to take account of the reaction mechanism of mutually exclusive variable to determine the internal consistency of an estimate. The figures of formal deficits added up from the balancing items in budgets are positively misleading.

OFFICIAL ESTIMATES

The official estimates for deficit financing, given below, superficially show the exact statistical counterpart of the definition given earlier. But this symmetry is as meaningless as it is mechanical; it is crude and over-simplified.

This, however, leaves out an important item which has a direct bearing on the quantum of actual deficit financing, namely, the effect of open market operations of the Reserve Bank. If, instead of the Reserve Bank, the Government itself performed the function of debt management, there would be no complication and all transactions in respect of market borrowings and repayments, like those of small savings and funded debt, would be reflected in the capital budget of the Government. Further, if the Reserve Bank did not partly subscribe to new loans, the problem would still

be less intractable. That part of a loan issue which is taken up by the Reserve Bank at the time of the loan issue, unless resold to the market, is deficit financing pure and simple. For, every loan by definition must be fully subscribed, and if the market does not subscribe fully to the loan, the remainder is always taken up by the Reserve Bank. The Reserve Bank also purchases securities from the market just before a loan comes up for redemption or is asked for conversion: this is a normal policy of debt management. However, there are counter-operations also with opposite effect. The effect of all these transactions is calculated at the end of every year; net sales or purchases would constitute decrease or increase in deficit financing.

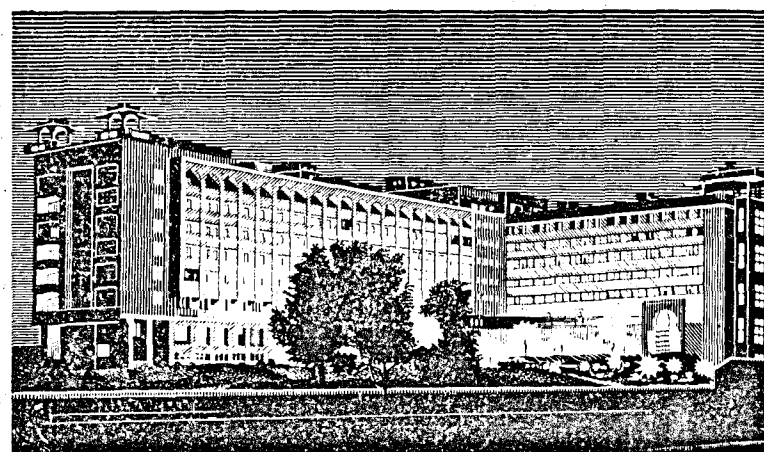
The real difficulty is lack of statistical information. Fortunately, the Reserve Bank published in the June 1960 issue of its monthly

Table 1: Official Estimate of Deficit Financing
(in rupees crores)

	1956-57	1957-58	1958-59	1959-60	1960-61
1 Floating Debt	240	459	132	190	15
2 Issue of One Rupee Notes	5	5	5	5	5
3 Increase (—) or Decrease (+) in Centre's Cash Balances	+5	+1	+17	-16	+19
4 Deficit Financing (1+2+3)	250	465	154	179	39

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Bulletin the net results of its open market operations for the period ending in March, 1960. No other central bank in the world has ever published such information. However, there is no data for the year 1960-61. We have estimated the figures for 1960-61 by adjusting the net increase with the Reserve Bank of all types of securities (Rs 119 crores) to that of the transfer of securities (Rs 108 crores) from the State Bank to the Reserve Bank under the new arrangement by which all PL 480 funds are to be kept with the Reserve Bank. Figures are given in item (4) in Table 2 (see next page).

EXTERNAL RESOURCES

The second problem is more complicated. It relates to withdrawals from or additions to the existing external resources of the nation lying with the Reserve Bank. This is not included in the aforementioned item (iv) of external assistance, mentioned in the first para. Of course, one can include it there or treat it separately. In both cases just as external assistance is separated from deficit financing, so shall this item be separated: both have the same monetary impact if the external resources are utilised *only in the public sector*. Suppose, for example, we had such vast external reserves as to be able to meet the total requirements of a plan without any resort to new taxation, borrowing and foreign aid, and if those reserves were actually utilised, there would surely be no deficit financing at all; or if one likes to call it deficit financing, then the whole of the outlay would have to be characterized as deficit-financed: there is no middle position. Obviously, the latter of the two propositions is false, for the effect on absolute money supply would be *nil*, and, relatively speaking, there would be stringency and shortage in the money market, and a possible fall in price level—a situation which is obviously contrary to the one supposed to go with large deficit financing.

However, the same is not true, and complications arise, when the existing external reserves are utilized by the private sector. When the private sector utilizes these reserves through the purchase of foreign currencies, it pays for them by drawing on its deposits with the commercial banks, which action causes a transfer

of money from commercial banks to the Reserve Bank, i.e., money supply is reduced. Therefore, the first task is to separate quantities of foreign exchange reserves utilised by the public and the private sectors.

There is not much difficulty in giving a statistical value of the estimates mentioned in the preceding para. The Reserve Bank publishes data for its purchases or sales of sterling for the private sector; by adjusting these transactions with the overall variation in external reserves we get the negative item mentioned earlier. Therefore, the overall issue of *ad hoc* securities to the Reserve Bank by the Government (known as the floating debt) does not amount to deficit financing, but only that part which is the net of issues against acquiring of foreign exchange; any addition to these reserves on that account against which securities are withdrawn from the Reserve Bank should be added to the figure of the floating debt. Figures are given in item (5) in Table 2.

PL 480 FUNDS

There is no problem of data for net additions to the floating loans through the issue of *ad hoc* securities for the first four years of the Second Plan (see Table 1). But for 1960-61, there seems to be an utter confusion over calculating them owing to the new arrangement of placing PL 480 funds with the Reserve Bank instead of the State Bank. This new arrangement has caused the listing of receipts of Rs 240 crores in the capital budget of the Government. Of this, Rs 108 crores constitutes the transfer of the existing deposits from the State Bank to the Reserve Bank. As these funds had already been set against the issue of Government securities, it would amount to double counting if credit is taken for them separately in the capital budget. Hence Rs 108 crores is straightaway deficit financing. Adding to this Rs 15 crores of *ad hoc*s as given in the budget, the deficit financing due to item (i) amounts to Rs 123 crores as shown in Table 2.

The accounting procedure for these funds is rather complicated and is, thus, likely to create confusion. There are four entries, two on the credit and two on the debit side; one set cancelling the other. The sale proceeds of commodities

received from the US are placed with the Reserve Bank as deposits of the US Government. Simultaneously, these commodities are assumed to have been sold to the Government of India. Hence the transfer of funds from the US Government account to that of the Government of India. Next, the Government of India puts these funds into new securities by cancelling the deposits, following which *ad hoc*s of the same value are cancelled. There occurs no effect on the assets and liabilities of the Reserve Bank; only the sale proceeds accrue to the Government. Under the previous arrangement the Government would have got these funds through the issue of marketable securities to the State Bank; under the new arrangement simply *ad hoc*s are cancelled. The effect on deficit is *nil* in the latter case as it was in the former. Only the transfer of the existing funds from the State Bank constitutes deficit financing.

CASH BALANCES OF STATE GOVERNMENTS

It is surprising that almost every estimate for deficit financing has neglected changes in the cash balances of State Governments. Just as, and for the same reason for which, changes in Centre's cash balances with the Reserve Bank and at Government Treasuries are included in deficit financing, so must such changes in State Governments' cash balance be brought in. Both have the same effect. Similarly, we must take into account any changes in the Reserve Bank's advances to Government.

Finally, there is the problem of additional Government securities held by commercial banks. Many economists, following the practice in the U S, would like such additions to be included in deficit finance. But this is unjustified. This practice is not adopted to the same extent even in other developed countries where the deposit constituent of money supply is three to four times the currency in circulation, and where a shift of outstanding government securities from the public to the banks causes some increase in bank deposits and thereby in money supply. Adjustments, however, are made for changes in time deposits. But, in an underdeveloped country with an undeveloped banking system and inelastic money supply, an

increase in banks' investment portfolio, or even an increase in bank credit, need not lead to a higher level of demand deposits: it may sometimes lead to a fall. During the Second Plan, the scheduled banks' credit increased from Rs 760 crores to Rs 1,317 crores and their investment in Government securities from Rs 360 crores to Rs 559 crores. Yet, demand deposits rose only from Rs 630 crores to Rs 714 crores, in spite of Rs 517 crores of expansion in currency, thus sharply lowering the overall ratio of deposits to currency.

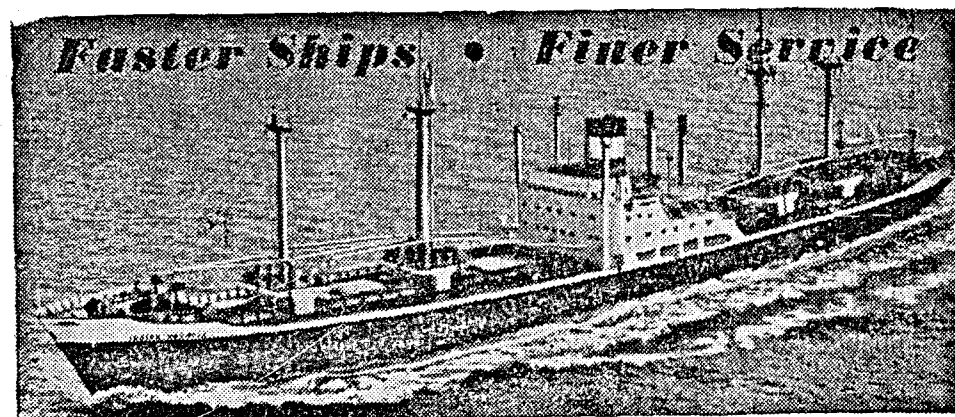
These facts alone disprove the assertion that the increase in banks' holdings of Government securities has been expansionary. Secondly, the net increase in banks' holdings of Government securities was not the result of any transfer of securities from the public to the banks. Third, the increase in time deposits was nearly three times the increase in demand deposits, and any utilisation of the former for short-term credit creation instead for long-term investment in gilt-edged would have surely given rise to effects that deficit financing could create. Therefore, the enlargement of banks'

investment portfolio did actually the opposite of what is attributed to it. On the basis of the preceding discussion we present in Table 2 comprehensive estimates of deficit financing in the Second Plan.

The total of deficit finance resorted to during the Second Plan, therefore, comes to Rs 822 crores. This is much lower than the official estimates or other much more inflated figures.

Table 2: Deficit Financing in Second Plan

	1956-57	1957-58	1958-59	1959-60	1960-61
1 Floating debt	240	459	132	171	123
2 Issue of one rupee notes and coins	+5	+5	+5	+5	+5
3 Increase (—) or decrease (+) in Centre's cash balances	+5	+21	+17	—16	—13
4 Reserve Bank's open market operation purchases (+) and sales (—)	—60	—89	—65	+19	+11
5 Issue (—) of Treasury bills to the Reserve Bank for purchase of foreign exchange	—27	—141	—68	—37	—1
6 Increase (—) or decrease (+) in State cash balances	+30	—23	+28	—8	+20
7 Reserve Bank advances & loans to the govt: increase (+) reduction (—)	+8	+13	+3	+1	+17
8 Deficit financing (total of 1 to 7)	228	245	52	135	162



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Rural Cooperatives in Yugoslav Agriculture

Ljuba Veljkovic

General rural cooperatives (somewhat similar to the service cooperatives in India) and peasant working cooperatives were first founded in Yugoslavia immediately after the second world war.

Compared to some classical cooperative forms, these organizations were a novelty.

The general rural cooperatives evolved from the buying and selling cooperative. Their beginnings go back to the period of the country's reconstruction (1945-1947), when they supplied the farmer with industrial commodities, purchased his produce and later organized the processing of his produce until, finally at the beginning of 1957, they also undertook the organization of agricultural production.

THE general cooperative may be joined by any private producer who pays the required fee, which was originally 100 dinars, and was later increased to 1,000 dinars. A general rural cooperative may be founded on the decision of at least ten adult agricultural producers; the rules being adopted and the management elected at the founders' meeting. The managing bodies are the assembly, the cooperative council, the managing board and the manager.

The supreme body of management is the Assembly. It adopts the rules, votes the current and long-term development plans, reviews the work of the past period, elects the cooperative council, and issues instructions for future work.

The Cooperative Council consists of between thirty and eighty members. It enforces the decisions of the Assembly and adopts the annual cooperative development plan and the development plans of its various sections, approves the cooperative's debts, settles the pay rates, founds independent production sections and elects the managing board. The Council is, in the cooperative, what the workers' council is in the factory or other enterprises.

The Cooperative Managing Board, which has between five and eleven members, and the manager see to the punctual fulfilment of plans, consider the internal organization of work, supervise expenditure, and enforce the decisions of the Cooperative Council.

The Manager is directly in charge of the cooperative. He organizes the process of production, represents the cooperative to the authorities, signs contracts, enforces discipline, and protects the interests of the community. He is appointed, on nomination by the Cooperative Managing Board, by the municipal people's committee, as the director of an industrial enterprise is.

The competencies of the Cooperative Council, Managing Board and Manager are similar to those of the bodies of management in other Yugoslav enterprises. In the Yugoslav cooperatives the workers and experts enjoy all rights as cooperative members, which is one of the fundamental differences between the Yugoslav and other cooperative organizations.

Membership

Elections to the bodies of management were held in 1958, when about 170,000 persons were elected. Seventy-five per cent were peasants and twenty-five per cent were workers and other employees.

The number of these cooperatives and of their members constantly varies. This may be seen from table 1 below. The number of cooperatives has diminished because the small and miniature cooperatives have now been incorporated into stronger and economically sounder cooperatives. But the number of members is increasing every year.

Phased Development

The general rural cooperatives went in the main through three periods before they reached their present phase.

During the *first period* (1945-1955) the cooperatives were engaged in purchases and sales and in various services for private producers. They obtained saplings, bloodstock, seed, and producers' goods for the farmer. At that time the cooperatives established various workshops (farrier's, cart-wright's, blacksmith's) whose number declined from the beginning of 1954, when farm machinery was introduced in larger quantity into the villages.

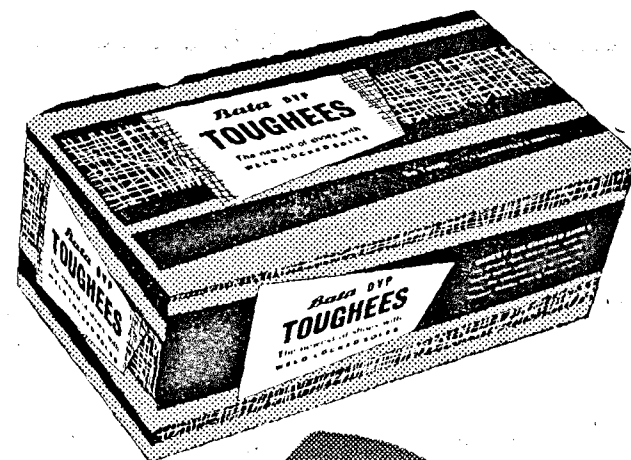
The *second period* in the development of these cooperatives began in 1955, when the community granted them the right to purchase farm produce from private producers and to sell it to the commercial network. The profit went to the funds for the promotion of agriculture. The purchase and sale of farm produce through the cooperatives proceeded at a rapid pace: in 1953 they bought and sold farm produce worth 24,400 million dinars, in 1955 43,600 million dinars, in 1957 114,500 million dinars and in 1958 121,500 million dinars. The participation of these cooperatives in general farm produce trade increased from 26.6 per cent to 69.1 per cent. Livestock and livestock products were bought and sold to the value of 55,500 million dinars; grain, hay and straw to the value of 23,000 million dinars; vegetables and fruit to the value of 14,000 million dinars; industrial crops to the value of 9,600 million dinars; alcoholic beverages to the value of 7,200 million dinars, etc. According to their statements of accounts, the total profit from purchases in 1958 amounted to about 4,000 million dinars. The rural cooperatives used these profits to promote agricultural production.

The *third period* in the development of the general rural cooperatives began in 1957, when the cooperatives became the owners of up-to-date means of production, and cultivated the land either on their own farms or on the farms of private producers. In this phase of development, which is the present one, these cooperatives have played the role of protagonists of the technical reconstruction of the country.

Table 1: Number of Rural Cooperatives and their Membership

	1945	1949	1951	1954	1957	1958	1959
Number of cooperatives	5,447	9,060	7,581	6,538	5,472	5,248	4,805
Number of members (in thousands)	1,225	3,460	2,208	2,035	1,405	1,370	1,502

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Table 2 : Farm Machinery Owned by Cooperatives

Year	Tractors	Tractor seed drills for cereals	Mowers all types	Binders	Combine harvesters	Motor threshers	Trucks
1952	468	80	405	67		766	462
1955	2675	257	1010	787		2968	694
1958	10135	1900	2024	2517	132	5758	1093
1959	14818	2903	2574	4384	642	6643	1027

side, have organized production on the small-holdings, and agricultural production generally and, promoted changes in social relations in the country, without nationalizing or expropriating the land of private producers.

Cooperatives' Activities

Before the second world war the cooperatives had almost no farm machinery, nor did they own any during the early post-war years. It was only in 1957 that the rural cooperatives began to acquire a greater amount of machinery. This is evident from table 2 above. The sudden increase in the number of tractors and other machinery owned by the cooperatives is due to the general progress in Yugoslavia's agriculture and to the large capital investments. Of the 31,200 million dinars invested in the general rural cooperatives in 1958, tractors accounted for 8,200 million dinars, other farm machinery for 6,400 million dinars and trucks and motors for 1,500 million dinars. In 1954 capital investments amounted to 4,000 million dinars and in 1957 to 18,000 million dinars.

The land and livestock in the possession of the general rural cooperatives are also increasing. In 1952 these organizations had only 68,305 hectares, in 1955 148,776 hectares, in 1957 202,596 hectares, in 1958 287,692 hectares and in 1959 428,027 hectares. Their land holdings increased in various ways. They acquired the bulk of their land when the land reform act and the public land act were introduced.

At present the general rural cooperatives do not play a major role in livestock breeding, the number of livestock owned by them being quite low. In 1959 they owned 4,719 horses, 70,350 cattle, 152,201 sheep and 102,029 pigs; but these numbers are continually increasing. In 1959 they were double those of 1958, and in 1960 they will be even

larger. The cooperatives are well-known for their pedigree stock.

The intensification of agricultural production has been responsible for growing market surpluses. Accordingly it was necessary to transform part of them into raw materials or into semi-finished products. Because of this many of the rural cooperatives (about nine hundred) set up processing plants. In 1958 the general rural cooperatives had 307 dairies, 190 fruit and vegetable drying plants, 29 fruit and vegetable processing workshops, 460 stills, 388 wine cellars, 295 slaughterhouses and 550 mills. Recently the rural cooperatives have endeavoured to modernize their processing plants, some cooperatives have already set up small factories. The number of such cooperatives is increasing.

At the beginning of 1959 the general rural cooperatives had 2,300 storerooms and silos with a capacity of 37,000 wagons of grain, about 5,000 cribs with a capacity of over 40,000 wagons of maize, and over 1,000 other storing godowns with a capacity of 17,000 wagons. The capacity of the storage facilities is steadily increasing.

In 1957 the general rural cooperatives had fixed and liquid

assets valued at 100,300 million dinars and at the beginning of 1958 assets valued at 157,100 million dinars (or an increase of 56 per cent). Of this, 91,300 million dinars (107 per cent higher than in 1957) consisted of fixed assets and 65,800 million dinars (17 per cent higher) of liquid assets. The bulk of these assets are implements (42.6 per cent) buildings (34.6 per cent) and land (16.7 per cent).

With these resources the general rural cooperatives have done extremely varied work during the past period. The bulk of the cooperatives' profits are earned from agriculture, the farm machinery pool, and cultivation in association with the private farmers, while the profits earned from commerce, except from trade in raw materials, semi-finished products and investment equipment, are gradually diminishing.

Total returns in the general rural cooperatives in 1957 amounted to 300,600 million dinars, and in 1958 to 306,600 million dinars. Returns from the different sources are given in table 3 below.

Social Sector — Private Sector Cooperation

In 1959 the cooperatives rapidly increased their purchase of raw materials and semi-finished goods. They secured 550,000 tons of fertilisers, compared to 480,000 tons in 1958, 12,000 tons of plant preservatives (9,500 tons in 1958), 61,000 tons of wheat seed (49,000 in 1958), 11,700 tons of maize seed (about 6,000 in 1958), etc.

Table 3 : Receipts of Cooperatives from Different Sources

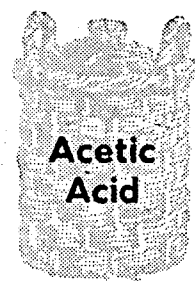
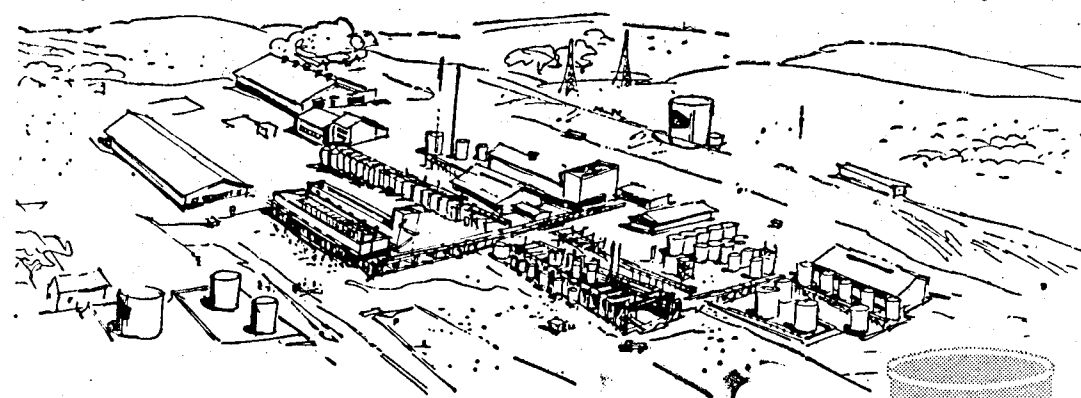
Source	(in million dinars)		
	1957	1958	Index of increase
Agricultural production	8,709	11,465	132
Cultivation in association with private farmers	136	1,029	757
Farm machinery	8,551	11,731	137
Other agricultural services	1,395	1,491	108
Farm produce processing	4,812	5,089	106
Other processing and industry	3,106	3,143	101
Purchase of farm produce	145,570	160,328	110
Other commerce	105,059	91,665	90
Catering	9,180	5,771	63
Handicrafts	6,236	5,556	89
Communal activities	3,853	2,666	69
Other activities	3,731	3,934	105

The development of these cooperatives demonstrates that they have become distinctive economic organizations in agriculture which owing to their organizational pattern are capable of engaging in every type of agricultural activity. This means that the general rural cooperative are gradually coming to be combined industrial-agricultural organiza-

tions which also influence production on land held by private farmers. In this respect an outstanding example is the rural cooperative at Kikinda, which employs about eight hundred workers and has a fruit and vegetable factory. Such organizations, which have various producing and processing plants with largescale means of produc-

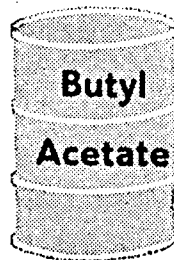
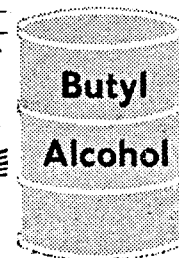
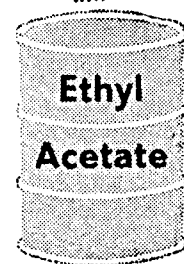
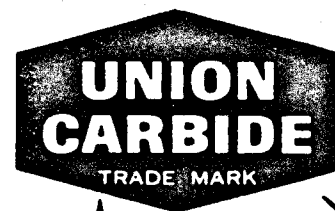
tion, normally attract the private farmers to association. In them the private farmers see a factor which can help them to work better and earn higher profits from their small holdings. The result is economic cooperation between the two fundamental factors in Yugoslavia's agriculture — the social sector and the private sector.

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Labour Research Methodology

A Report on Poona Seminar

S D Puneekar

Labour research has extended over many fields. In order that there may not be unnecessary duplication and that the results of such research may not be vitiated by faulty methodology, it has now become necessary to channel these activities.

Research workers in various labour fields met in Poona at a seminar to discuss their problems and to exchange experience.

Both research aims and methods figured at the discussions and the important issue was raised how far such research should be problem-oriented and conducted with an eye on the possible utilisation of the findings.

LABOUR research is fast gaining in importance. A technical sub-committee on labour has been set up by the Research Programmes Committee of the Planning Commission, a Central Committee on Labour Research has been constituted by the Ministry of Labour and the proposal put forward by the Indian Labour Conference at its last session held in Chandigarh, to establish a full-fledged Labour Relations Research Institute, has also been accepted. Research in labour problems undertaken by the Central and State Governments, employers' and workers' organisations, Universities, research institutions and social work schools, has been growing in volume and also improving in quality.

The stage has, therefore, come for properly channelling these expanding research activities so that maximum advantage may be derived from them. If this is not done, there is likelihood of avoidable duplication and waste of funds and faulty methodology vitiating the research. For this purpose, it appears desirable first to take stock of the labour research being conducted at present and then to find out ways and means of co-ordinating it.

The Objects of the Seminar

As a first step in this direction, the Indian Society of Labour Economics decided to hold a seminar on "Labour Research Methodology" with the cooperation of the Central Ministry of Labour and the Ford Foundation. The Seminar was to discuss the various problems of labour research such as methodology, priorities in research problems, review of labour surveys which were currently being conducted, difficulties experienced by labour

researchers and steps to be taken for furtherance of labour research. The Seminar was held in the Gokhale Institute of Politics and Economics, Poona, on June 13-18, 1961. As on all such occasions, the main purpose was to bring together labour researchers to exchange ideas and information on their methodology, their aims and their common needs. It was intended

- to focus attention on some of the more important methodological problems involved in carrying out research in labour in India;
- to give the participants a better understanding of some of the more effective tools for research;
- to acquaint participants in detail with one another's research activities and plans, with special attention to inter-disciplinary research;
- to identify some possible measures to increase the amount of quality research on Indian labour problems; and,
- to stimulate the writing of some working papers on labour research with a view to publishing these where the maximum number of potential researchers might see them.

With these objectives in view, about 25 labour researchers from various parts of the country gathered in Poona, deliberated on various problems of research, pooled their experiences and suggested measures for promotion of labour research.

Professor D R Gadgil, Director of the Gokhale Institute, welcomed the delegates to "this first seminar

of professional labour economists". As a researcher of long standing, he appreciated the need for and importance of labour research, which has taken great strides during recent years. Professor C N Vakil who presided over the inaugural function, observed that rapid industrialisation, which was one of the main objectives of our plans, had made labour problems more important, more complex and larger in number. Labour for industry is drawn largely from the rural areas and its adjustment to the factory and city life is perhaps the most important problem facing labour researchers. Efficiency and productivity should increase with rapid industrialisation and for this purpose, research in the working and living conditions of Indian labour appears necessary. As the problems cut across many disciplines—economics, sociology, psychology, etc—an inter-disciplinary approach is needed. It is scientific research alone which enables us to study problems of labour in a competent and systematic manner.

Maharashtra's Labour Minister, Shri Shantilal Shah, inaugurating the Seminar, emphasised the urgent need for collection of adequate and reliable data. For example, wage statistics, he said, were inadequate and the method of computation of the consumers' index was out of date. Employers, lawyers, trade unions and others suffer from dearth of labour statistics; even the statistics that are available, are not adequately known. It is the duty of impartial institutions like the Indian Society of Labour Economics to assist in the collection of basic data and to interpret them for the benefit of industry and labour. The industrial face of India was fast changing with the emergence of a

growing public sector; this further indicated the importance of labour in a developing economy. Labour economists should intensively study the various problems facing the nation.

Shri Gulzarilal Nanda, the Union Labour Minister, and Shri V V Giri, President of the Indian Society of Labour Economics, sent messages. In his message, Shri Nanda emphasised the need for quality research, which was particularly important at present, when considerable attention was being paid to employer-employee relationship. Shri Giri advocated a proper scientific evaluation of labour problems by means of research.

Priorities in Labour Research

The deliberations began with a talk by Shri B N Datar, Labour and Employment Adviser to the Government of India on "Priorities in Labour Research". "The range of potential topics for labour research is as broad as human behaviour itself" he said. Hence the topics selected should be much narrower in scope and on a priority basis. Important topics for research may include problems of manpower (employment policy, labour mobility, absenteeism, labour turnover, migration, recruitment policies, and procedures, pre-employment training, and impact of rationalisation), wages (incentive schemes, methods of wage payment, wage patterns, and job evaluation), productivity (norms, techniques of measurement and measures of higher productivity), consumers' standard of living (indices, nutritional requirements and fringe benefits), human relations and welfare work. However, before undertaking research, Shri Datar went on to say, it was necessary to see that it would be acceptable to the parties concerned and that the agency conducting the research was suitable for the purpose. Foremost priority should be given to the assessment of existing agencies in the field of labour research, their resources, identification of the gaps in existing information and exploration of possibilities of filling these gaps.

Shri Datar was followed by Dr John R Coleman, Consultant on Industrial Relations Research in the Ford Foundation. Dr Coleman started with three key assumptions:

(a) Labour problems in India will be bigger in the future than

they are today because of rapid industrialisation;

(b) any meaningful attack on these problems requires that they be frankly recognized and objectively studied; and

(c) India's universities and colleges represent largely unexploited resources for increasing the knowledge on which wider labour policies must be based.

Research emphasis should be on quality and hence pedestrian or routine research need not be encouraged. Moreover, labour research should be policy-oriented, to tackle the various practical problems. Empirical research with direct faculty involvement deserves encouragement. If India wants to take full advantage of the flexibility that independence and industrialisation alike are offering, it is imperative that intensive study of the present policies and practices should begin at once. Nothing less than highly competent, objective research gives any assurance that to-day's decision-makers can learn from today's successes and failures. Good and effective research needs time and funds for concentrated effort, administrative support, research know-how, clear definition of objectives, co-ordination of research information and results, independence of the researcher, and explicit recognition of the researcher's value judgements.

The talks by Shri Datar and Dr Coleman raised many issues, such as:

- Should acceptability of research findings be one of the criteria of quality research? Will it not come in the way of research independence?
- Does the quality of research suffer because of the eagerness of the researcher to find immediate use for his research findings? Is it possible to determine the period over which the research findings would prove useful?
- Research workers often fail to maintain a balance between the data collected and the conclusions drawn therefrom. The tendency is to draw either "too little from too much" or "too much from too little".
- Should every research in labour be policy-oriented? If not, is there something

like theoretical or fundamental research in this field?

- (e) Since labour research is related to human problems, is it possible to have an objective and scientific method in the study of labour problems like time and motion study?

Research Surveys

The labour researchers gathered in Poona gave details of the surveys completed, being conducted and proposed by them. These surveys showed a wide spectrum with a variety of objectives. There were a few of purely academic interest. Most of the surveys, however, had a practical orientation and many of them were meant for highlighting some important problems of labour or industry. The surveys included such topics as labour mobility, absenteeism, case studies in industrial relations, welfare amenities, fringe benefits, family budgets, social attitudes and voting behaviour, effect of supervision, psychological changes following differential exposure to industrialisation, effect of factory noise on industrial efficiency, effect of trade union membership on workers' attitudes, evaluation of grievance procedure, trends in industrial relations, promotion policy in the middle management.

The seminar also discussed in detail such problems as "case research methodology and usage" "the questionnaire and interview as research tools," and "methodological indications arising out of some investigations in labour economics." Dr Andrew Towl of the Administrative Staff College, Hyderabad, expounded the case study method, while Shri R A Shaikh, Dy Labour Commissioner, Maharashtra, explained, with illustrations, the interview techniques.

On the last day of the seminar, the broad scope of labour research methodology was surveyed and the topics covered during the deliberations were reviewed. Follow-up action was recommended in the form of compilation of report of the proceedings, development of bibliographical and documentary facilities, standardisation and classification of concepts, co-operation with such authorities as the Central and State Labour Ministries and the Research Programmes Committee, encouragement to inter-disciplinary research in labour and all-round promotion of labour research.

From the Chair

Burmah-Shell Refineries Limited

Statement by the Chairman, Mr. L. D. Mudie

THE following is the Statement by the Chairman, Mr L D Mudie, at the Eighth Annual General Meeting of Burmah-Shell Refineries Limited held on 26th June, 1961:

Gentlemen:

The Directors' Report and Statement of Accounts for the year are before you. The crude oil intake of the Refinery was 366,035 metric tons more in 1960 than in 1959, with income from refining increasing from Rs 10.91 crores in 1959 to Rs 12.33 crores in 1960. As from 1st January, 1960, your Company ceased to benefit from the relief provided under Section 15 (c) of the Income Tax Act and in consequence, has had to set aside Rs 2.61 crores for taxation on 1960 profits as compared with Rs 1.90 crores charged in the 1959 accounts.

Dividend

An interim dividend of 15 nP per rupee was declared and paid in November 1960 on the paid-up ordinary share capital absorbing Rs 207.3 lakhs and the Board now recommend a final dividend of 5 nP per rupee which will absorb a further Rs 69.10 lakhs; Income Tax at 20% will be payable on these dividends.

I do not think further comments are required in respect of the details of our 1960 Statement of Accounts which are set out fully in the documents already circulated to you. I would now like to take this opportunity to give a few figures regarding the growth of Oil demand during the last five years under the dynamism of the Second Plan period and also project this picture into the Third Plan to see what contribution your Company has to make in this context.

Consumption of Oil

In the process of the many-sided development through which the Indian economy has been passing, Oil has effectively played its part. Total inland oil consumption will have risen to about 7.8 million me-

tric tons in 1961 from 4.9 million in 1956, a 59% increase during this period. The percentage rise in consumption has varied from product to product; thus, demand for High Speed Diesel Oil will have risen by 162%, while the demand for Furnace Oil will have gone up by 57%, that for Light Diesel Oil by 48%, Lubricants by 47% and Kerosine by 36%.

There appears to be much support for the view that we should provide for an annual compound growth rate of about 12% during the Third Plan period, as compared to the rate of 10% experienced in the Second Plan. These projections will naturally require revision at regular intervals, but it is generally recognised that energy is an essential overhead of economic growth and the growing importance of oil in the Indian pattern of energy consumption has been well demonstrated during the last decade.

Demand in 1966

At the meeting of the Oil Advisory Committee held in May this year, a figure of 13.55 m metric tons was agreed as the likely inland demand in 1966. Including the provision for international bunkers, total demand for refined petroleum products will be about 14.14 m metric tons representing a crude oil equivalent of about 15.27 million metric tons. The Oil Advisory Committee will review their forecasts at regular intervals and experience may well show an upward revision is necessary. Your Company attaches much weight to these figures, for with such targets before us, the exchange of ideas and plans between the public and private sectors is greatly facilitated, thus leading, it is hoped, to an understanding that a full contribution from both sectors is essential, if the task ahead is to be completed in time.

While opinions may differ in regard to priorities, one incontrovertible fact emerges, namely that to meet a demand of the order of 15 m

metric tons of crude equivalent by the end of the Third Plan, investment on a large scale in all phases of the business is required not only now but as a recurring need into the long term future. The Oil Industry is highly capital intensive and experience has proved that to find, produce, refine and distribute to the consumer 1 million tons of Oil calls for a capital investment of approximately Rs 60 crores. It is apparent, therefore, that an increase in consumption by about 7 million tons over the third Plan period calls for a capital investment of some Rs 400 crores if this increase alone is to be assured.

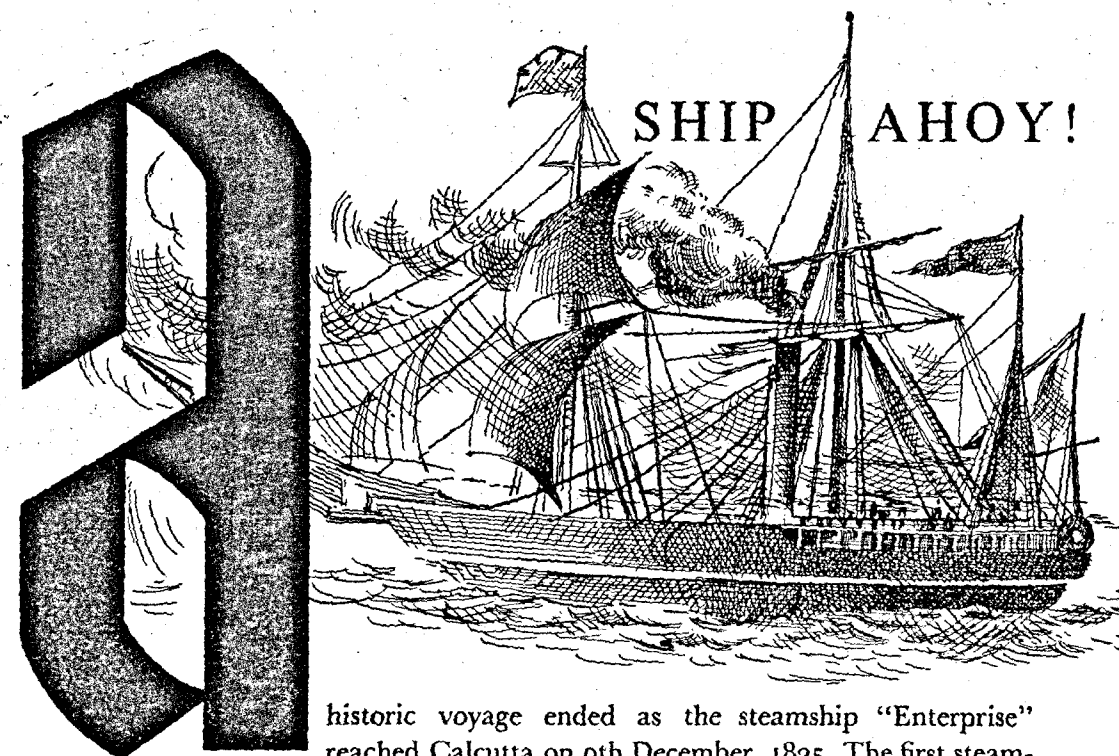
Investment is only one aspect of the problem. Equally important is the time factor; here, there are no short-cuts. There is no way of finding oil without drilling; the risk of failure is great and even successful ventures take many years and consume much money before the fruits of success in the form of commercial production of crude oil are ready to reach the consuming market.

From the moment of inspiration, to engineer, construct, staff, and bring on full stream a new refinery, is the work of years.

Distribution of Oil

The distribution of oil presents its own special problems in a country the size of India; here is a railway system doing a magnificent job but nevertheless unable always to cater for the full traffic. The road system is still in the development stage. An oil distribution network must therefore provide innumerable upcountry storage points to ensure the smooth flow of supplies throughout the country.

I am convinced that for prompt, effective action to meet these challenges there is need for a massive effort attacking the problem from as broad a front as possible, and enlisting help from all who are willing to contribute, on terms which are reasonable and still in keeping with the avowed objectives of Indian economic development.



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



MBCC-12

Refinery Agreement

In his speech at this meeting last year the Chairman said that provided we were permitted to go ahead with our expansion proposal there might be room for further modification in the terms of the 1951 Refinery Agreement in addition to the Duty Protection which we had agreed to forego.

Arising from the above statement, the Ministry of Steel, Mines & Fuel informed the Company that the question of revising the Refinery Agreement and a proposal to expand the capacity of the Refinery would have to be treated quite separately and that it would not be desirable to link them together. This letter was dated 14th September, 1960.

In February this year the Company received an official reply to its original proposal for the expansion but in this instance Government stated that they were unable to consider any proposal for the expansion of the refinery in terms of the 1951 Agreement. The letter went on to state that, as the total refinery capacity likely to be available by the end of the Third Five Year Plan period would be about 10.75 m metric tons and product demands at that date had been variously indicated as 10 to 14 m metric tons per annum, Government had decided, subject to reconsideration in the light of a more accurate forecast of product demand by the Oil Advisory Committee, that further increase in refining capacity in the Private Sector was not considered necessary. As mentioned earlier, the Oil Advisory Committee has now estimated product demand in 1966, including international bunkers, at about 14.14 m metric tons.

More Economical than a New Refinery

Revised cost estimates, which have more recently been communicated to Government, show that the additional million tons of refining capacity will cost only Rs 2.83 crores, a fraction of the cost of constructing a new refinery of comparable capacity, and that the project to manufacture Lubricating Oil, now stepped up from 60,000 to 100,000 metric tons capacity per annum, will cost Rs 6.47 crores. The total cost of the two projects

has therefore been reduced by Rs 2.28 crores and I would remind you that there will be no request to Government for foreign exchange, which will be provided from our own resources.

Despite the cool reception which these proposals have received so far I feel they are so sound and their acceptance is so much in the country's interest that we should be optimistic about the final outcome.

Increase in Middle Distillate Production

It will perhaps be useful again to refer to the sustained increase in Middle Distillate production and reduction in yield of Motor Spirit achieved by your Company between its commencement of operations and the year under review.

	1955	1960
Motor Spirit (%production on crude intake on weight basis)	22	14.9
Middle Distillates (%production on crude intake on weight basis)	33.5	45.1

Continued improvements in manufacturing techniques increased Crude throughput, as already stated, by 366,035 metric tons to a total of 2,843,010 metric tons in 1960, producing an additional 295,000 tons of essential Middle Distillates and only a marginal extra quantity of Motor Spirit. This represents a substantial contribution towards minimising the import of deficit products. Today your Refinery is operating at a rate equivalent to an annual Crude intake of 3 million metric tons and this further achievement is in logical conformity with the concept of utilising the country's capital assets to the maximum—a cardinal principle in a capital hungry world.

While there will be a critical period of product imbalance with a considerable surplus of Motor Spirit following the commissioning of the Gauhati and Barauni Refineries, there are encouraging indications in the longer term. One favourable factor is the development of chemical and fertiliser industries based on a light petroleum feedstock and in this connection a contract has been concluded by our Marketing Associates with F.A.C. T. for the supply of naphtha to their Fertiliser Plant at Alwaye. Also of interest is a contract recent-

ly signed by our Marketing Associates with the Fertiliser Corporation of India for the supply of 50,000 metric tons of refinery gas annually to their Trombay Plant.

Before I close, I would like to refer to four further points of interest.

New Licence

During last year, negotiations were undertaken with Government for permission to manufacture Jute Batching Oil and I am happy to report that the necessary licence has now been received and the Refinery has already commenced production of a high quality which conforms to the very special requirements of the Jute Industry.

Our Marketing Associates are in negotiation with the Oil and Natural Gas Commission for processing at our Refinery indigenous crude from the Ankleshwar oilfields. Many important details have yet to be settled, but the Railway Authorities have in hand the laying of sidings at the refinery site to handle this crude oil traffic in tank-wagons.

Your Company offered to train 18 operators for the Gauhati Refinery and also to accept two of their senior staff for study visits. These offers have been accepted and training will commence shortly.

Your Managing Director, Mr. G. B. Stanger, was honoured to accept the invitation extended to him last year by the Council of Scientific and Industrial Research to serve as a member of the Governing Council of the Indian Institute of Petroleum. I have no doubt that he will bring to bear on the deliberations of the Council his wide experience in the Oil Industry acquired over many years in different countries.

Acknowledgements

It remains for me to thank the Managing Director and those who worked for him for the considerable achievements of the year under review. The encouraging financial and technical results referred to earlier are the result of their hard work and ingenuity and in the full expectation that these qualities will be with us in the years to come, we look to the future with confidence.

The Metal Box Company of India Limited

Review by the Chairman, Mr K. C. Mahindra



TRADE WITHOUT TEARS

Metric weights have come into use. Prices are expressed in terms of Metric units. And yet, transactions involve irksome calculations. — Why?

Because the Metric concept is not followed. Commodities are asked for either according to old weight or its equivalent:

233 grams — for one pao
454 grams — for a pound
175 grams — for five palams

Either way the advantage of the reform is not realised.

The right way is to ask for

200 or 300 grams
400 or 500 grams
100 or 200 grams

This way we will get full advantage of the reform. Combined with decimal coinage, transactions will be simpler and calculations much easier.

Ask for your requirements in

ROUND METRIC UNITS

IT HELPS YOU AND THE TRADER

ISSUED BY GOVERNMENT OF INDIA

THE Twentyeighth Annual General Meeting of The Metal Box Company of India Limited will be held on Wednesday the 19th July, 1961 at 59 C Chowringhee Road, Calcutta.

The following is a copy of the Review by the Chairman, Mr K C Mahindra, which has already been circulated to members.

Sales

We have concluded another satisfactory year, with a rise in sales from Rs 830 lakhs to Rs 970 lakhs, 17% over the last year, but of this increase some Rs 52 lakhs or 6% represents an increase in the price of raw materials, largely due to the substantial excise duties imposed last year on two of our basic materials — tinplate and aluminium. The Company's sales emphasis during the year has been on earning or saving foreign exchange. A substantial expansion in exports was achieved following vigorous promotional efforts. Calcutta No 2, a factory devoted to foreign exchange saving products, viz industrial components and machinery (previously imported) and plastics (made from local materials) achieved an 85% increase in turnover. For the rest of the business the net increase was 8%, reflecting the steadily growing demand for packaged goods.

The Company has maintained its position despite increasing competition due to its continued ability to offer high quality products and service. Production resources, however, were extended in the latter half of the last calendar year, as a consequence of a temporary deterioration in the flow of tinplate supplies which was beyond our control. We are aware and sincerely sorry that our customers in certain areas were seriously inconvenienced during this period. However towards the end of the financial year the position improved and customer goodwill has, by and large, been regained.

I feel constrained to repeat the emphasis I laid in my review last year on the question of pilferproof-

ing. Newspapers report almost every day the widespread extent of adulterated and spurious products in the country, possibly affecting the health of the nation. The consumer package of which we offer such a large variety is perhaps the only sure means of beating the traffic in spurious goods. Typically its brand name is indelibly marked by lithography applied direct on to the metal; once factory-sealed it is tamperproof. The extension and improvement in the range of these packages is constantly engaging the engineering and research resources of your Company, but the high price, inflated by indirect taxation, of such essential packing materials as tinplate, aluminium and polyethylene favours the use of bulk packings. Since the product is dispensed loose from these, they constitute a standing invitation to adulteration and substitution.

The change-over to the metric system during the year provided some challenges to our production and marketing departments, but with the assistance of the Indian Standards Institution to the industry and the enlightened co-operation of our customers, our tasks have so far proved simpler than we anticipated.

Production Capacity

It is necessary for me to reflect here on the factors governing the operation and growth of a Company like ours, at a time when there appears to be an insufficient appreciation, by the planning authorities, of the role an efficient container-making industry can and needs to play in India's developing economy. Owing to lack of foreign exchange and insufficiency of home production of tinplate, your Company is unable to expand and diversify its production of containers using this metal as base. It is not realised that the production of apparently simple cans and closures, to the absolutely consistent quality standards essential for modern packaging systems, necessitates a complex industry employing engineering and technological skills of a high order. How com-

ple is told in the short illustrated story of a prawn can published with this review.

This impression of insufficient appreciation is reinforced by a list issued earlier this year by the Ministry of Commerce & Industry which includes, amongst the manufacturing licence applications which may ordinarily be rejected without reference to the Licensing Committee, those concerning tin containers, collapsible and rigid tubes, excepting where the fabrication is to be done by the packer himself. This policy decision is misconceived. It is vain to expect a packer to install the highly complicated and automated machinery required for producing Open Top food cans or lithographed General Line tin-containers and tubes to modern quality standards, for he will not have the requisite volume over which to spread the costs of expensive installation and overheads. Except in the case of plain unlithographed cans, usually large ones where freight considerations are over-riding, packers almost invariably find it to be in their own interest to buy their containers from specialists who through larger scale operation and continuous technological improvements can offer a better and more efficient product which will satisfy the requirements of the home demand as well as the highly competitive export markets.

This has undoubtedly been the experience in such countries as Britain, the United States, Japan, Canada, France, Germany, Holland, Australia and Malaya. To quote but one instance, over the last seven years Japan has developed her annual canning of processed foodstuffs from 700 million labelled cans, mostly unlacquered and undecorated, to 2000 million cans, most of which now are either internally coated with protective lacquer or decorated outside with process-resistant lithography. This spectacular advance, both technological and quantitative, could not have taken place but for the existence of a progressive, responsive, and

highly organised can-making industry. I suggest that Indian packers, and food-packers in particular, need behind them a well-equipped and equally capable can-making industry, as an essential pre-condition to their playing their proper part in conserving food which at present goes to waste. Your Company aims at providing this service of supply backed by its Research Laboratories and can-closing machinery building operation in Calcutta. It is rational that packers of food — or, for that matter, of pharmaceuticals and other packs — should devote their energies and talents to developing the quality and volume of their production, rather than diverting them to the specialised business of can-or tube-making.

Nor should the package-makers' role in developing the country's export markets be underestimated. It is a simple fact that Indian manufacturers will only succeed in selling their products abroad if they are packaged to international standards. In this context it is necessary to stress the important point that high quality in the can-making industry is achieved by complex mechanised methods, justified only by a large volume. High quality in these markets is essential for competition there is fierce and we are up against foreign manufacturers who have all the advantages stemming from a massive volume of domestic production. For these reasons it is not possible to produce a utility standard for the domestic market and a higher standard for export. The quality standards in an exporting nation must be such that its products in the domestic market are increasingly worthy of exporting. Only if they are well packaged can consumer goods exports grow as they should; approximately Rs 4 crores per annum of such exports are made possible today by your Company's packages and there is room for massive growth if we analyse the factors favouring exports correctly and act accordingly.

I, therefore, hope that the authorities, in the interest of superior and more economical supplies in the home market and the more vigorous development of exports, will take a realistic view in their licensing policy for India's container-manufacturing industry.

Raw Materials

The overall availability of tinplate throughout most of the year was maintained at a satisfactory level. The crisis that developed at mid-year in Bombay was due to the delayed shipment of plate procured from overseas under DLF arrangements. Although every effort was made to achieve maximum production from the resources available, the operational efficiency of our Bombay factory was thereby adversely affected for several months.

Although the year opens with a satisfactory stock level, the outlook for the current year cannot be without anxiety. If Tatas proceed with the planned closure for overhaul of their billet mill, The Tinplate Company of India will be required to obtain their tinbar from unfamiliar sources. It is not difficult to visualise the manufacturing problems that could ensue. Rourkela is not expected to commence tinplate production until the end of the year and the continuing gap between indigenous supply and current demand can only be met by imports. This is not a situation which allows complacency in the face of the critical foreign exchange position.

Looking beyond the current year, Rourkela will provide only short-term relief, as the demand for tinplate is rising at a rapid rate. The National Council of Applied Economic Research have estimated that by the end of the Third Plan tinplate demand will have reached 250,000 tons and we have no reason to disagree with this estimate. It is believed that to meet this the Government of India contemplate licensing production capacity of 320,000 tons. Until a really substantial expansion of production capacity is put into effect, the import bill for tinplate will be heavy notwithstanding the considerable efforts being made to utilise alternative packaging materials. Meanwhile, if the means of providing adequate imports are not found, the effect on the many industries dependent on tinplate containers for their packaging will be far-reaching with corresponding repercussion on the economy as a whole.

The Company's consumption of aluminium, although to an extent limited by availability, again increased. Arrangements have since been made to procure a somewhat larger tonnage during the present year. Compared with the prices ruling

THE ECONOMIC WEEKLY

elsewhere, the cost of Indian aluminium is very high. As the additional sources of supply now planned come into production this is a factor which will require the industry's consideration if the use of aluminium as a packaging material is to be properly developed.

Supplies of deep drawn mild steel were obtained during the second half of the year in sufficient quantity to allow increased production of industrial components. The outlook for the current year is at present uncertain but every possible effort is being made to ensure availability either from DLF, rupee payment or barter sources. It is to be hoped that the Company's representations on this score will not be ignored as the range of components now produced for the automotive, electrical and other industries represent in most cases direct saving of foreign exchange.

Co-operation between the Company's Research Laboratories and the suppliers of ancillary materials continued fruitfully during the year. As a result the Company's usage of wholly indigenous materials has broadened satisfactorily as quality has been brought up to the required standards.

Development

The Company's Technical Development Section contributed significantly during the year to the improvement of manufacturing methods and the design and introduction of new products.

Calcutta No. 2 at which the Company's development projects are concentrated had a satisfactory year of consolidation. In the Plastics Works the range of products has been extended.

The expansion of machinery building facilities was continued. The range of plant for customers' use was increased and a start has been made on the building of replacement equipment for internal use. Foreign exchange savings are directly proportionate to the output of this section.

A small expansion of the Bombay factory building was completed and occupied while construction of an additional floor to the Bombay administrative block was started. These additions will facilitate improved plant layout and develop to the full the existing Worli site.

THE ECONOMIC WEEKLY

The transfer of plant to Faridabad was largely completed during the year; only a small reforming operation now remains at Azadpur. The availability of power did not improve as anticipated and in order to work a day shift generating equipment had to be installed.

Board Changes

In April 1961 Mr R. W. Westbrook retired to return to an appointment in the United Kingdom. A member of the Board for fifteen years and Managing Director for the last three, he had served your Company with great loyalty, enthusiasm and skill for over twentyfive years. It was with regret that we said farewell to him.

The Board have appointed Mr H. K. S. Lindsay as Managing Director and Mr J. N. de N. Cochrane-Barnett as Deputy Managing Director. Both have wide knowledge and experience of the Company's affairs. Mr Lindsay has been a Director since 1951 and Mr Cochrane-Barnett since 1957.

Employee Relations

Good relations between management and employees have continued: it is gratifying that the latter and their representatives have as much faith in bipartite negotiations as the former. In pursuance of the Company's policy of keeping well abreast of area practices, agreements were concluded on the reclassification of occupations, wages and salary, dearness allowance, and other conditions of service. Regrettably the daily rated employees in Madras constitute a solitary exception to this pleasant picture: for the third consecutive year no bipartite negotiations have been possible notwithstanding the settlement of a five year agreement covering the revision of salaries and grades with the Madras monthly rated employees.

Training remains an important feature of personnel policy. During the year the Company strengthened its own training arrangements and took every available opportunity for its staff to participate in suitable outside seminars, productivity teams and courses calculated to improve job knowledge, performance and potential for promotion. The scope of this activity has covered literally every category of personnel from the Daily Rated Worker to the Managing Director. The latter, for

example, attended the ILO/NPC Conference of Industrial Leaders convened for "heads of organisations of national importance" in the public and private sectors. Other participants in outside courses were two members of top management in the NPC's Three Day Seminar on Top Management; one manager at The Administrative Staff College in Hyderabad; three in advanced management courses; sixteen in courses for middle and junior management and salesmen. Nineteen of our Indian managers and technologists went abroad; three to programmes sponsored by the NPC and sixteen under training, one holding a short term appointment, with our U K associates. Arrangements have

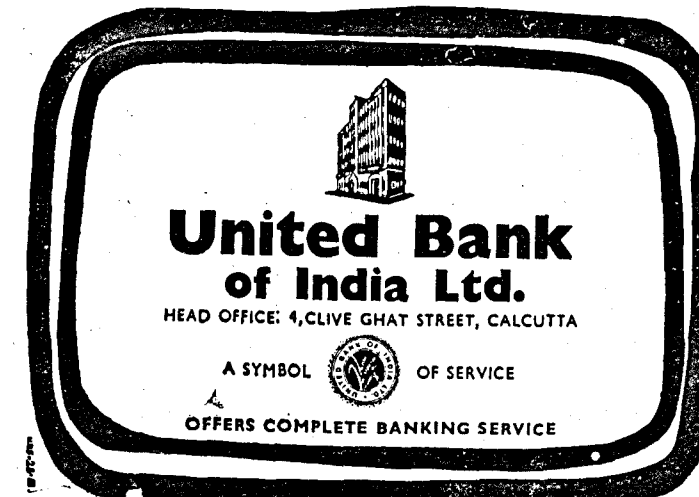
been concluded under which the Company's training staff were able to commence regular residential courses of two to three weeks' duration for managers, management trainees, salesmen and foremen. So far thirtyfour have undergone residential courses, twentyeight men other training courses. The Company has continued to support the Workers' Education Scheme: Calcutta No. 1 has been the most active, their Unit Level Centre has now trained its third batch of workers.

It is gratifying for me to record the valuable co-operation of the Company's employees in our growing activities and I thank them and management for a year of hard and constructive work.

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.



Reserve Bank of India

APPLICATIONS are invited for the following posts in the Bank :

(A) POSTS AND SCALES OF PAY

- | | |
|--------------------------------|------------------------------------|
| (i) Banking Officers : | Rs. 375-55-815 E.B. 55-925-60-1045 |
| (ii) Probationary Assistants : | Rs. 250-25-450 E.B. 25-650 |

Note : Candidates possessing exceptionally good qualifications and experience of value to the Bank may be given a higher starting pay in the prescribed scales.

In addition to pay, the selected candidates will be eligible to draw local pay, house allowance and dearness allowance at the rates prescribed by the Bank from time to time.

(B) QUALIFICATIONS :

(i) Banking Officers :

- (a) Applicants should have a minimum of five years' commercial banking experience out of which not less than three years should be in a responsible position. Preference will be given to applicants with high academic qualifications who have made a special study of Economics, Banking, Commerce or Accountancy, or

- (b) They should be Chartered Accountants with a minimum standing of 5 years.

Preference will be given to those who have passed the examinations of the English or Indian Institute of Bankers.

(ii) *Probationary Assistants :* Applicants should have a good academic record and a first or high second class Masters' degree of a recognised Indian or foreign University with Economics, Banking, Commerce or Accountancy as a special subject and should also have some proficiency in drafting. Educational qualifications may be slightly relaxed in the case of candidates who have passed the Institute of Bankers' examinations and/or possess practical banking experience in a supervisory capacity in a commercial bank.

Candidates who have applied for these posts in response to previous advertisements in 1960 need not apply again.

THE SELECTION BOARD WILL INSIST ON A VERY HIGH STANDARD OF SUITABILITY IN MAKING SELECTIONS FOR THE ABOVE POSTS AND ONLY THOSE CANDIDATES WHO POSSESS HIGH ACADEMIC QUALIFICATIONS AND ADEQUATE EXPERIENCE OF THE TYPE SPECIFIED ARE ADVISED TO APPLY.

(C) AGE LIMITS AS ON 1ST JULY 1961

(i) *Banking Officers :* Candidates should not ordinarily be over 35 years of age but the age limit may be slightly relaxed in the case of candidates with exceptionally good experience of value to the Bank.

(ii) *Probationary Assistants :* Between 21 and 25 years.

In the case of (ii) the maximum age limit is relaxable but not beyond 30 years in the case of :

- (i) candidates possessing special qualifications and experience of value to the Bank ;

- (ii) ex-employees of banking institutions whose services had to be terminated for reasons of economy or as a result of the banks going into liquidation ;

- (iii) personnel retrenched from Government offices after at least one year's service applying through Employment Exchanges ; and

- (iv) candidates belonging to the Scheduled Castes or Scheduled Tribes.

2. Candidates who wish to apply for more than one category of posts must submit *separate* applications accompanied by separate application fees and *should clearly indicate the post for which they have applied.*

3. Applicants for the posts of Banking Officers and Probationary Assistants must remit with their applications a fee of Rs. 7.50 for each post by cheque or bank draft on a *Scheduled Bank* payable at Bombay or by Postal Order. *The application fee is in no case refundable.* Bonafide refugee candidates *not in employment* applying through Employment Exchanges are exempted from payment of application fees while in the case of candidates belonging to Scheduled Castes/Tribes, the fee will be reduced to one-fourth.

4. Applications in the candidate's own handwriting in the prescribed forms obtainable from the Reserve Bank's offices at Bombay, Calcutta, Kanpur, New Delhi, Nagpur, Madras, Bangalore, Lucknow, Trivandrum and Patna accompanied by copies (originals should not be sent) of certificates regarding age and educational qualifications, statements of marks secured in the Graduate and Post Graduate degree examinations and two testimonials should be forwarded to the Secretary, Central Recruitment Board, Reserve Bank of India, Central Office, Post Box No. 406, Bombay No. 1 so as to reach him on or before 22nd July 1961.

5. Candidates should also indicate in their applications whether they had applied previously for a similar post in the Reserve Bank and if so with what result.

6. Candidates already in service will be required to produce a proper discharge certificate from their employers in the event of their being selected, at the time of their appointment in the Bank's service.

7. Candidates belonging to Scheduled Castes/Scheduled Tribes should mention this fact prominently in their applications and also enclose a copy of a certificate to that effect from a competent authority.

8. Selected candidates must be prepared to serve in any office of the Bank in India and to undertake tours when required.

9. Appointments will be subject to candidates being found medically fit for service in the Bank by the Bank's Medical Officer.

10. If any candidate desires to have his application acknowledged, he should send it by "Registered Post—Acknowledgement Due". Apart from those who may be specially called, interviews will not be granted to candidates nor will the Bank enter into correspondence with them.

11. Canvassing will be regarded as a disqualification.

Around Bombay Markets

Reactionary Trend Persists

Thursday, Morning

DALAL STREET beat a further retreat last week, indicating that the technical adjustment is not yet over. In the process of technical adjustment, Vyapar's equity share index has eased further from the previous week's high of 149.13 to 145.13. The index shows a net loss of 1.46 over the week at 145.65. Earlier in the month — on the 7th — the index had recorded a high of 150.83 which is the highest level reached by this year. Apart from technical considerations, sentiment on the stock exchange continued to be unsettled by the margin controversy which appears to have taken quite an unhappy turn. The representatives of the Bombay Stock Exchange led by Shri K R P Shroff met the Finance Minister in Bombay on 26th June and apprised him about the situation prevailing in the market. The market authorities rightly maintain that the market is quite normal and well under control because of the various regulatory measures they have taken on their own and that it does not call for any official intervention.

Strange Irony

It is a strange irony the Stock Exchange Division of the Ministry of Finance should be insisting on tighter margins at a time when the Forward Markets Commission — its counterpart in commodity markets — has considerably relaxed the margin rules. Special margins have been done away with in respect of oilseeds contracts for the new season. The arbitrary ceiling for groundnut has also been removed. It has taken several years for the Commission to realise that ceiling on futures serves no purpose and special margins make the markets thin and anaemic without helping to check the rising trend in prices. The Stock Exchange Division is still in its infancy but it can certainly draw on the Commission's experience.

Margin appears to have become a prestige issue with the Stock Exchange Division, which is very much to be deplored. While the margin controversy is still on, the market has lost nearly one-third of the ground gained from the April low point. Over the past two or

three weeks, Bombay Burmah have declined from Rs 666.50 to Rs 616, Century from Rs 740 to Rs 689, Standard from Rs 1585 to Rs 1435, Hindustan Motors from Rs 23.68 to Rs 22.12, Indian Iron from Rs 28.70 to Rs 27.55, Voltas from Rs 319 to Rs 287, Telco from Rs 390 to Rs 371, Larsen and Toubro from Rs 48 to Rs 41, Sirpur from Rs 16.60 to Rs 15. Premier Automobiles from Rs 178.50 to Rs 170, Belapur Sugar from Rs 292 to Rs 266 and Tata Steel from Rs 165 to Rs 161. The recent setback in prices underlines the selfadjusting mechanism that a speculative market possesses to correct its errors of optimism and pessimism.

Oilseeds

Special Margins Go

WHILE the Stock Exchange Division continues to press for tighter margins in shares, the Forward Markets Commission has decided to do away with special margins for trading in oilseeds contracts in the new season. The ceiling on groundnut and groundnut oil has also been abolished. The Commission's decision is wise and will be widely welcomed by the trading community. Special margins had been imposed in order to check the rising trend in prices by containing the volume of speculative activity; but they only made the market thin and anaemic and prices continued to rise, reflecting the imbalance between demand and supply. The ceiling of Rs 220 per 250 kilos fixed for futures did not check the rise in ready groundnut prices to around Rs 280 for the inferior most quality.

Conditions that have been imposed by the Commission are merely of a disciplinary nature as they relate to restricting the daily range in prices. The daily rise in the prices of groundnut will be restricted to Rs 4 in Bombay when the price rises above Rs 225 per 250 kilos and to Rs 3 above Rs 250. Corresponding limits have been set in other centres like Rajkot, Delhi, Hyderabad, Adoni and Madras. The Commission has also agreed that two contracts in the new crop would simultaneously run in certain

associations and one in certain others, depending upon the requirements of each case. In Bombay, two contracts will run simultaneously from the commencement of trading in the new crop. The daily rise in cottonseed futures has been restricted to Rs 2, whenever the price rises above Rs 105 per 250 kilos. Cottonseed never touched this mark this season. Trading in linseed and castorseed will not be subjected to any special margins or limit on daily price fluctuations.

Mild Warning

While restoring freedom to markets, the Commission has let it be known that these concessions have been agreed to on a purely experimental basis and that it will resort to more stringent restrictions should the market behaviour necessitate the same. Having laid down the rules of the game, it is to be hoped that the Commission will not impose its arbitrary will on the market so long as they continue to play the game according to the rules. The oilseeds trade can now look forward to a period of much greater activity in the new season and the speculating community will be well-advised not to indulge in excessive speculative activity lest it invites the Commission's intervention. Trading in new crop contracts is expected to start early next week.

Irregular, Firm

Oilseeds futures last week were irregular but firm. Fluctuations were narrow and Wednesday's closing prices showed all-round small net gains over the week. Linseed September moved between Rs 41 and Rs 40.44 (per 50 kilos), cottonseed September between Rs 95.50 and 96.50 (per 250 kilos) and castor September between Rs 179.75 and Rs 182.37. Favourable weather reports from most producing areas discouraged aggressive buying on the rise but profit-taking was well-absorbed by scattered short covering. Speculative interest centred mostly round castor which firmed up on reports of a marked revival of export inquiries for castor oil. Substantial business was said to have been put through with U K and the Continent and the prices realised were reported to be

considerably higher than a week ago. The U K paid £ 137/138 for castor oil BSS, July-August shipment. Sentiment was greatly helped by reports that the Brazilian crop of castorseed might not exceed 1,80,000 short tons as against the previous season's crop of 2,26,000 short tons. This was stated to be mainly due to a poor crop in Bahia. Export houses also reported satisfactory business in groundnut extractions and linseed cake. Groundnut extractions July-December shipment were quoted around £ 29-15 and linseed cake was eagerly sought at around £ 31.

Shipments of oilseeds, oils and oilcakes from Bombay from the beginning of the year up to 16th June, with corresponding figures for 1960 in brackets are as follows: groundnut 9,995 tons (12,080 tons), kardsseed 140 (25), groundnut oil 154 (1,934), linseed oil 575 (3,520), castor oil 10,479 (24,594), groundnut expellers 10,133

(57,103), linseed cake 5,045 (27,569), cottonseed cake 14,094 (280), mowra cake 430 (79) and niger cake nil (3,313).

Cotton

Consumption Down

MILL consumption of Indian cotton in the first 8 months—September to April—of the current season amounts to 27.17 lakh bales against 30.55 lakh bales in the corresponding period last season. The consumption of foreign cotton during the same period is up from 3.63 lakh bales to 7.82 lakh bales. It seems unlikely that consumption of indigenous cotton this season will reach last season's figure even though the production is up from 37.5 lakh bales to 53 lakh bales. The fall in consumption of indigenous cotton cannot be explained merely in terms of a record low carryover of indigenous cotton at the end of the previous season; it reflects poorly on the policies adopt-

ed by the Textile Commissioner who failed to take timely note of the marked increase in production. While consumption fell, stocks with the mills recorded a substantial rise. Stocks of indigenous cotton with mills at the end of April stood at 15.19 lakh bales against 9.85 lakh bales at the end of April 1960. Even though mills are carrying stocks large enough to last them for more than 4 months, considerable pressure is being brought on them to lift cotton with the cooperative societies in order to relieve them of their burdensome stocks for which the societies are only themselves to blame. This is not all; mills have also been compelled to purchase short staple U S cotton at very exorbitant prices which compare very unfavourably with domestic prices.

The Government has failed to stimulate consumption of domestic cotton despite a substantially larger crop. It has also paid no heed to the trade's persistent demand for

allowing the further export of Bengal Deshi though there exists quite a large exportable surplus. Inquiries with the trade indicate that after allowing for domestic consumption and a normal carryover of nearly 40,000 bales there remains a surplus of nearly 77,500 bales of which about 45,000 bales are lying with merchants in Bombay. The quality of this cotton is bound to deteriorate with time because of the onset of the monsoon. The new crop will also become available after 4 months. There seems little sense in allowing this cotton to rot when it can earn badly needed foreign exchange for the country. Conditions abroad are not as favourable as they were a few months ago. Even so, it should not be difficult to sell the available surplus profitably.

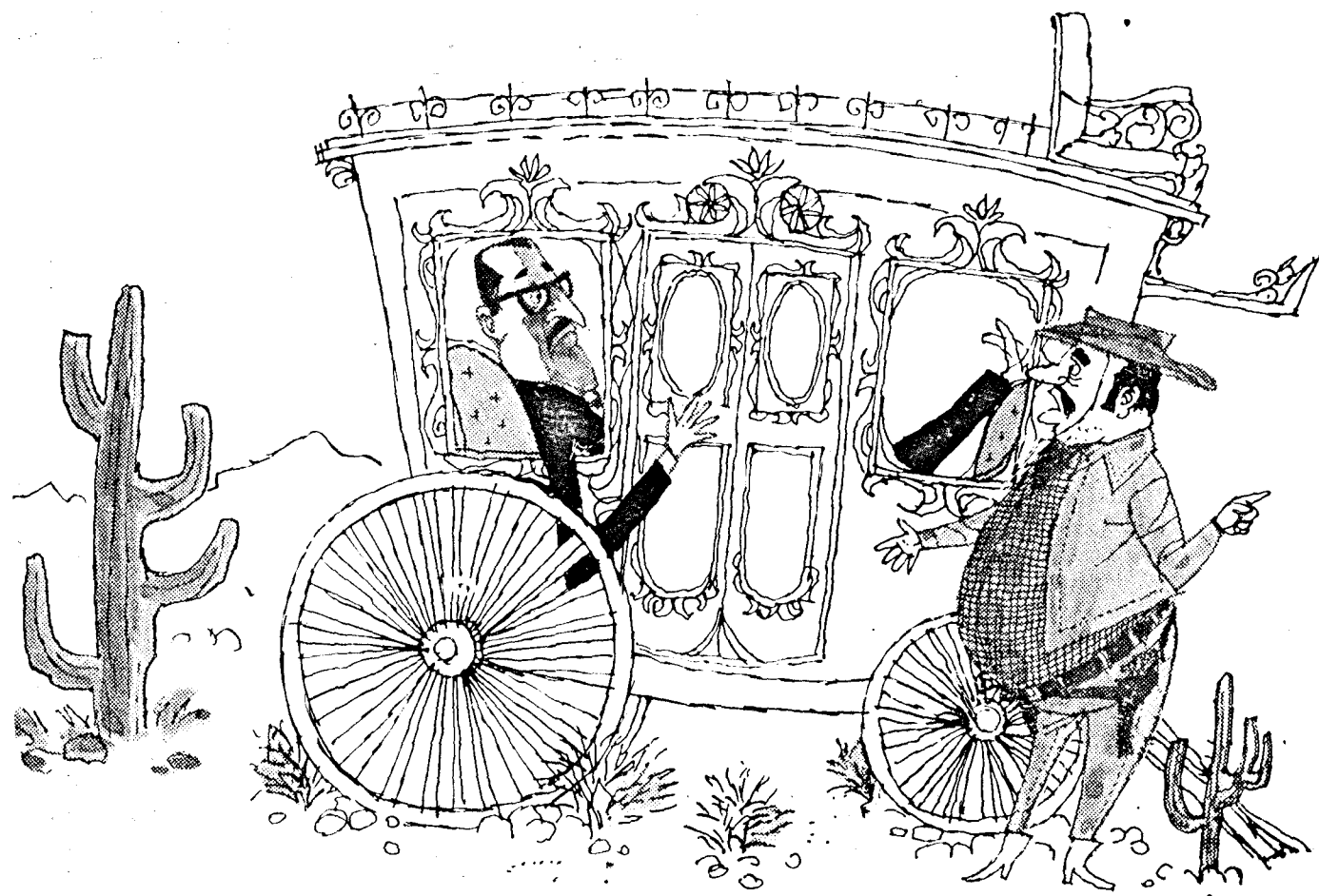
Government Cooperation

Press reports indicate that New Delhi is considering the setting up of a corporation which would be a regular market operator. It will

build up buffer stocks through which it would influence and stabilise the market. It is suggested that the corporation could buy cotton from the cooperative societies at floor prices and part of the profit from subsequent sales could be returned to these societies. But why should cooperative societies sell to the corporation at floor prices unless prices fall to the floor? To buy cotton when cotton prices reach the floor is one thing but to accumulate stocks by purchasing cotton from the market from time to time in order to influence the course of prices is quite another. The former is obligatory; that is what the floors are meant for. But the latter involves substantial risk which is now being borne by the trade. The problem of Indian cotton is still one of shortages and not that of bumper supplies. If the supply position looks comfortable this season it is very largely due to import of 11.5 lakh bales of cotton from abroad which also includes

short staple cotton. It is hardly necessary for the Government to assume avoidable risks. That can be easily left to the trade which has been doing its job well in the past.

Sentiment in the futures market last week was guided mainly by the weather news from producing areas. Most centres reported satisfactory weather conditions. Sowings have been nearly completed in the Punjab, Moglaj and Khandesh; they have made considerable progress in Vidarbha. It is too early to say anything about the new season's crop outlook because it depends entirely on the progress of the monsoon. Spot houses reported satisfactory business during the week in Surti, Digvijay and L 147. Prices maintained a steady tone. Futures were rather irregular and slightly subdued, particularly near the week-end. After rallying from Rs 579 to Rs 585.50 the August contract moved irregularly lower to Rs 576.50 and ended at Rs 567.75 per 3 quintals.



TRAVEL TALK IN TUBELESS TIMES

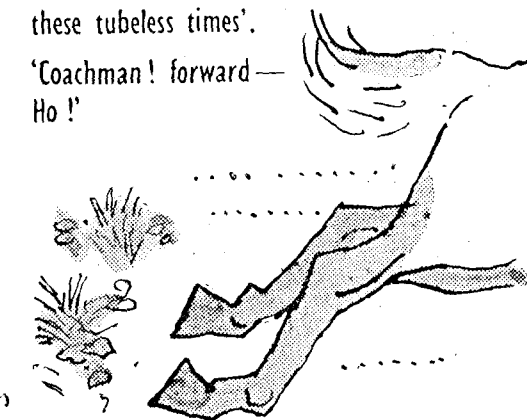
'A tube, a tube, my kingdom for a tube', quoted Time-Master Tubophile getting his Shakespeare all mixed up.

'Listen', said the coachman. 'You ain't got a kingdom to give and we ain't got a 'tube' to travel in...so now we walk, see!'

'Zounds, Sir', thundered Time-Master Tubophile, still Shakespearean, 'you don't have to remind me that this is a tubeless land in tubeless times. Full well do I, Chairman, Tube Time Inc., know it. Not a car, train or plane for conveyance...not even a bicycle to take the ache out of travelling. Nothing to take you from here to there save a horse...and that

too run away. Such is tubeless travelling. Comforting, though, to think, there is my tubular time machine to take me back to my own well-tubed time. And back I'll go after I have seen more of these tubeless times'.

'Coachman! forward—Ho!'



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THIRTEENTH YEAR OF PUBLICATION

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Price 50 Naye Paise

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THE ECONOMIC WEEKLY
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Protection to Sterling

THE proposals to "fortify the British economy and diminish inflationary pressures", which were announced by the Chancellor of the Exchequer on Tuesday, are drastic in nature. Nothing less than drastic measures would, however, have been adequate to deal with the situation and avert a threatened devaluation of sterling. The deterioration in the British balance of payments in recent months has been much greater than published figures have indicated. The real deterioration has been obscured by the large balances in sterling held by various European central banks under the Basle agreement, which was strengthened through discussions among central banks at the recent meeting of the Bank of International Settlements. Cooperation among central banks to protect currencies from the effects of speculative movements in short-term funds, however welcome it may be, is not a panacea for all the problems that a currency may face in the sphere of international monetary relations. Such cooperation cannot protect a currency from the effects of movements originating from the operation of more fundamental forces. It can at most give more time for the monetary authorities of the country, whose currency is under pressure, to devise suitable measures to deal with the situation. Monetary cooperation of the type that has been in evidence recently may in fact have the unfortunate effect of giving rise to unjustified complacency and delay in taking measures for strengthening the country's currency. British experience in recent months shows how real this danger can be though the measures that have now been proposed are likely to prove powerful enough to protect sterling from possible devaluation.

Though attention has naturally been concentrated on the drastic measures taken to protect the immediate position of sterling, it is useful to note that maintenance of investment in productive industry with a view to long-term growth of the economy and the taking of steps to make the British economy more competitive were listed by the Chancellor as the country's first aims at the present moment. Measures to this end are in fact vital for a long-term improvement in the balance of payments. Mr Selwyn Lloyd's statement that in his opinion an annual increase of 3 per cent in the gross national product was feasible but only if the U K had a 6 per cent annual expansion of exports is of special relevance in this context. Such an expansion of British exports would be possible only if, over substantial areas of industry, there is greater readiness on the part of both sides for radical changes in outlook and methods. "That will be assisted, in my view," Mr Lloyd said, "by reductions in tariffs which should come from current negotiations."

The Chancellor's approach to the basic problems of the British economy is apparent from his statement that in 1960-61, there was an increase of £1450 million in personal income in the country against an increase of only £650 million in production. "We are cashing in ahead of production," Mr Lloyd said, "and, in the process, making ourselves uncompetitive." Recognition of this situation is useful, but without willingness and the ability to take the necessary action to prevent such cashing in ahead of production, it may not be enough. The Chancellor asserted that profit margins were still too high; and he spoke of the need to have a pause in wage and salary increases until productivity has

caught up and also the need to ensure that this pause marked the beginning of a new long-term wage policy. There is no evidence as yet, however, that the British Government is 'capable of drawing up a policy of the kind indicated by the Chancellor's remarks and mobilising adequate public support to implement it effectively in the near future.

British long-term economic policy is also inextricably linked with the question of British entry into the European Common Market. To this question, the Chancellor made no reference, possibly because a formal statement on the subject is to be made by the Prime Minister on July 31. If Britain should decide to join the Common Market, the stimulus of rapidly expanding demand and the competition of efficient producers over the entire Common Market area will modify the context in which long-term developments in the British economy would have to be examined though they will not make less necessary the effective implementation of the long-term policies outlined by the Chancellor.

Meanwhile, the specific short-term measures announced by the Chancellor may help to strengthen sterling and enable it to overcome the present crisis. Mr Lloyd's remedies fall into two groups: those intended to reduce Government expenditure and those fiscal and monetary measures which will restrain consumer and investment spending in the country or operate directly on the balance of payments. Of the measures to reduce Government expenditure, the restraint which the Chancellor hopes to impose on foreign aid concerns the recipient countries, including India, directly. A basic improvement in the British economic situation may, however, make such restraint appear less urgent in the future. In any case, since the Chancellor has promised not to bring about any cut-back, there is not much cause for worry; the restraint that is planned has come after fairly sharp increases in such aid in the recent past.

The introduction of monetary stringency within the United Kingdom is of course heralded by the sharp increase in the Bank Rate from 5 to 7 per cent though it will also have the effect of persuading foreigners holding balances in London to continue to do so and of attracting short-term funds to the

U.K. Monetary restraint is also reflected in the increase in the special deposits which British banks are required to maintain with the Bank of England. Banks and insurance companies have also been asked, when reviewing existing commitments or considering new lending, to be particularly severe on proposals relating to personal consumption, including finance for hire purchase as also for speculative building and such other purposes.

Direct impact on consumer spending is, however, to be brought about by the new powers put at the disposal of the Treasury through

the provisions of this year's Finance Act. A surcharge of 10 per cent, the maximum permitted under the rules, has been imposed on the customs and excise duties listed in the Finance Act and also on the purchase tax. This measure alone is expected to withdraw purchasing power from the economy at the rate of £210 million per year or £130 million during the rest of the current financial year. All these measures will give British citizens once again a taste of austerity, which will be worthwhile, however, if it facilitates solution of the long-term problems of the British economy.

The 'Ten-Year Rule'

THE struggle between the administrative and organisational wings of the Congress and the scramble for power in general in Gujarat have tried to make a convenience of what has come to be known as the 'ten-year rule', though without much success. Among the devices suggested for preventing the concentration of power in a few hands over the years and for infusing new blood into the administration, have been vague prescriptions that between a third and two-thirds of the sitting members of the State and Central legislatures should give place to new men and also that those who have functioned in the State legislature or Parliament for two terms or ten years in all should abstain from seeking re-election to that particular body except in special cases. The implication obviously is that one who has completed ten years in a State legislature could still get into Parliament and perhaps the other way round too.

Why this distinction between membership of the State legislature and Parliament was made is not clear, but whether there was any calculation in it or not, it has evidently turned out to be very useful to some in the higher reaches of power. Anyway, if the ten-year rule were made applicable not only to membership of the State legislature or Parliament separately but also to membership of the two bodies together, there would perhaps have been less of heart-burning on the question and also less of hue and cry. Even then, the issue of how to decide on exceptions to the rule would have remained, and

unless the criteria prescribed were in terms of the ability of the member concerned or his contribution to public good, there would have been cause for discontent. It may be said that such criteria were implicit, even if they were not explicitly indicated, in the concern of the Congress not to deprive the country of proven talent in applying the ten-year rule, particularly when there was not too much of administrative ability or experience to spare in the present state of affairs.

But in the way the ten-year rule was sought to be applied by the organisational wing of the Congress in Gujarat to its own affairs, few of the considerations governing the rule seemed to have been taken into account, with the result that a serious situation arose. The mode of application of the rule, with some Ministers apparently singled out to suffer the full impact of it, and the manner in which exceptions were sought to be made in the case of a few, not particularly noted for their parliamentary activity, gave the public the impression that some kind of personal or strategic angle was being brought to bear on the issue. That the move has not succeeded is not surprising. For, calculating moves are bound to be met with equally calculated counter-moves, and the Congress High Command itself appears to have been so disturbed by the personal or partisan quest for power in Gujarat as to step in and explain away the ten-year rule as something not meant to be rigidly enforced. Thus the rule, vaguely proposed and susceptible, whether

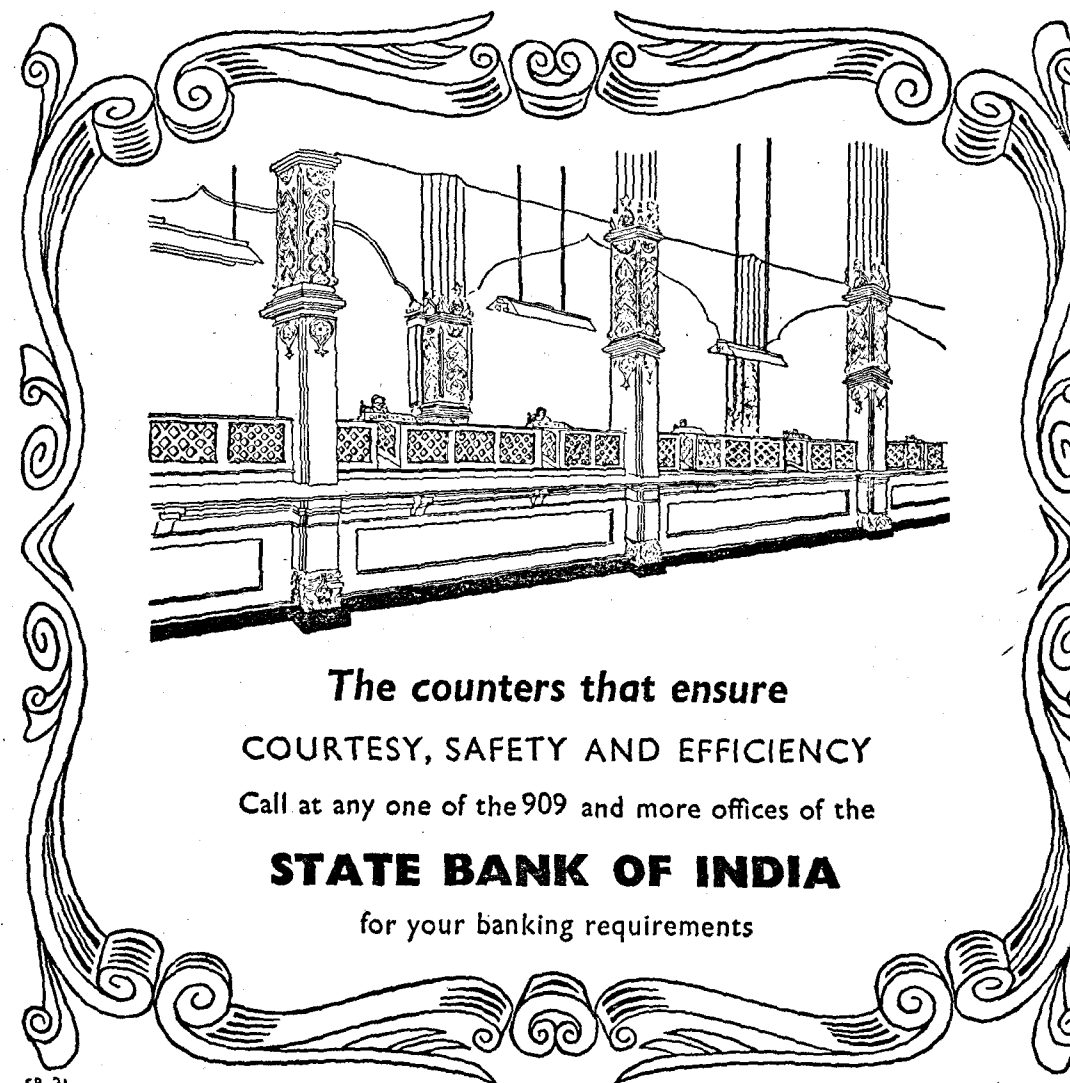
by design or not, to abuse by power-seekers, has met with an early defeat in Gujarat.

According to Shri Rasiklal Parikh and Shri Ratubhai Adani, two of the Ministers who would have been affected by the rule, the differences over the issue have been 'happily resolved' as a result of talks with Shri Morarji Desai, who was the most resolute sponsor of the ten-year rule, brandishing even dire threats to have it enforced. The position now is that it has been decided to 'leave it to

the Election Committee to process the applications (for party tickets) as per rules'. This means that the sitting members of the State legislature or Parliament from Gujarat would not be under obligation voluntarily to retire from the field of election or, to put it plainly, appear to do so voluntarily in deference to the ten-year rule. They will be free to seek re-nomination though it is the Election Committee that will decide whether they should be re-nominated or not.

The solution sought is at best a face-saving one, for it is inconceiv-

able that the controversy over the question or the play of partisan politics will end with the surrender of initiative to the Election Committee. The issue has been transferred to a different and more restricted plane though not necessarily to a higher one. But it is nevertheless a plane which will have to contend with other influences, particularly from above, and out of the inevitable contest of influences from below and above which will follow, anything might emerge. But little of it would be by way of homage to the ten-year rule.



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Weekly Notes

Minor Irrigation Evaluated

A MINOR irrigation work, it is commonly believed, can be executed quickly and entails a relatively small outlay and, besides, the lag between its completion and the flow of benefits from it is much shorter than in the case of, say, a medium or major irrigation work. All this is plain commonsense but the study of minor irrigation carried out by the Programme Evaluation Organisation of the Planning Commission is doubtful of at least the last-mentioned of the advantages claimed for minor irrigation works.

Minor irrigation is one of the larger investment programmes in the Third Plan, involving an outlay of Rs. 250 crores, if one takes into account provisions made both under Agriculture and Community Development. The Programme Evaluation Organisation's study is, therefore, most timely.

The PEO study is based on the result of field investigation conducted in all the States, from each of which one or more districts were selected according to the number of sources of minor irrigation deemed important in the area. Two blocks were selected at random from each district, and 10 cultivator households from each village on a random basis and five or six 'knowledgeable persons' purposively. Field data was thus collected from 1,255 cultivator households and 702 'knowledgeable persons' in 126 villages under 42 blocks in 21 selected districts in the 14 States. Statisticians may dispute the general validity of the findings of the survey on grounds of the techniques adopted for selection, sampling and so on. But it is quite likely that the study reveals a state of affairs broadly true of the country as a whole.

That a very substantial proportion of the irrigation potential of even minor irrigation works has remained unutilised is without doubt the most striking finding of

the study. To quote a few statistics, in 1959-60 some 54 per cent of the irrigation potential of minor irrigation works remained unutilised in the *kharij* crop and 31 per cent in the *rabi* crop. Against this, the utilisation of major and medium irrigation works greatly improved in the Second Plan period — from 48 to 76 per cent of the potential at outlet. While too much store need not be set by the exact percentages, these certainly give a jolt to the notion that minor irrigation works are more fully utilised than the major and medium ones.

The analysis of the reasons for the under-utilisation of minor works attempted in the study is significant. It reveals that the potential benefits are often not realised because the capacity of the work goes down as a result of silting and poor maintenance. Another important cause of under-utilisation is that works are sometimes located close to one another or where they are not needed because the rainfall was adequate.

In sharp contrast with this vast unutilised irrigation potential is the fact that some 80 per cent of the respondents complained that they did not get enough water to meet their farming requirements. This co-existence of unutilised capacity, on the one hand, and unsatisfied demand on the other, points to the failure in the planning of minor irrigation programmes. The Third Plan envisages the irrigation of about 13 million acres from minor irrigation works. It is clear from the PEO study that at least in some areas to achieve this target, improvements and repair and maintenance of existing works can play as important a role as the building of new works. Indeed, the response of cultivators included in the PEO's sample revealed that the scope for increasing the supply of irrigation water was visualised by them much more in terms of repair, renovation and reconstruction of existing works than of the construction of new ones.

Cabinet of Convenience

STABILITY through expansion has come to be an accepted principle of ministry-making in this country, and from this it is naturally to be deduced that the larger the number of Ministers in a Cabinet, the more secure it must be deemed to be if only because there will be less legislators left without office. If Shri C B Gupta, Chief Minister of Uttar Pradesh, has now enlarged his Ministerial team to achieve a round figure of thirty, arithmetically so satisfying, he has done no better or worse than other Chief Ministers confronted with similar intense ambition and rivalry in the ranks. It has been helpfully pointed out that he has exceeded the limit set by his predecessor, Dr Sampurnanand, by the insignificant addition of a single colleague. But such comparative statistics are not necessary; for, need knows no law and needs go on increasing with the appetites they feed. Indeed it has been indicated that the process of expansion in U P is still on — a process that can logically end only with the complete translation of the ruling party in the legislature into a massive cabinet with none but a few Opposition politicians kept out to whimper in the wilderness. This idea does not seem so far-fetched, considering the fact that even with the present bout of expansion, Shri Gupta has not been able to win over the dissidents to support. Their leading lights are still holding out, and though it is being fondly assumed that the malcontents are dwindling fast in strength, it is not immediately borne out by the apparent anxiety of the Chief Minister to keep on expanding his team.

This spectacle, or such spectacles elsewhere, would not have been so ironic but for the repeated fulminations of top Congress leaders against the three cardinal sins of groupism, casteism and communalism which, however, seem to be actually battering on the attacks that are directed against them. It could not be that groupism, which is so severely condemned in public utterances, is sought, by some strange perversion of logic, to be cured by pandering more and more

to the very instincts which give rise to the evil in actual practice. Yet, that is what cabinet expansions and other forms of accommodation in the administration and organisation amount to in truth. If principle is to be subjugated or even sacrificed to expediency on one ground or the other as the situation demands — and these demands have no end — then it is expediency that will reign supreme ultimately, no matter how many speeches are made or statements issued against it in seeming indignation. Indeed, a few convincing examples of resolute resistance to considerations of group or caste in the higher reaches of power could do more to restore public faith in declared objectives and goals and also inspire emulation in the country as a whole than all the fire and fury that are expended on seemingly remote, highly generalised and apparently unidentifiable evils, at large. In any case, to return to the theme of ministry-making, could a cabinet of talent and character, chosen strictly on merit with no concession whatsoever to parochial considerations, do really worse than the cabinets of convenience that manage to keep themselves in power, and do little else, by yielding to claim after unedifying claim? Perhaps this idea is worth at least an occasional trial.

Leads and Lags of Goods Traffic

JUDGING from the statements of the Railway Minister or Members of the Railway Board, one would not imagine that a crisis faces the coal industry for want of wagons to move the coal that is raised from the pits. Whenever the shortage of wagons is mentioned in the press or complaints regarding slow movement are made by colliery interests or consumers of coal, Railway officials harp on the same tune. Had not the Railways carried 154 million tons of originating traffic in the Second Plan period which was only a mere 8 million tons lower than the Plan target? Besides, in terms of ton miles, the Railways had achieved 54,000 million ton miles as against the Plan target of 51,000 million ton miles, thus actually exceeding the target.

The Railway Ministry's statistics may be sound, but there is another set of statistics—equally sound and

very disturbing, indeed. These relate to the accumulation of coal at pitheads in the collieries. Stocks at pitheads now exceed 5 million tons, whereas for a total annual production of coal of some 58 to 60 million tons, normal accumulations should be about 2 to 2.5 million tons at any time. The stocks are still mounting and it is estimated that almost half a million tons are being added to the pile every month. Besides, it must not be forgotten that this is the slack season and movement of other goods is much lower than at other parts of the year. The position will naturally worsen after the harvest, when millions of tons of foodgrains and other agricultural commodities will have to be moved by the railways.

The fast-growing stocks of coal at pitheads cannot but slow down fresh raisings as indeed they have already done at many collieries. On the one hand, there is an acute shortage of coal all over the country. Industrial consumers of coal in all parts of the country, including the three public sector steel plants, have been affected in varying degrees by this shortage. The shortage is particularly acute, as it has often been in the past, in the southern region, and the Madras Government, it is now known, propose to take up the question at the forthcoming meeting of the Southern Zonal Council.

Against this, it is not enough to say that the railways have achieved their Second Plan target. If indeed the Railways have achieved, or exceeded, the target, as they so often claim either the railways' carrying capacity is being diverted away from such an essential commodity as coal to carrying other commodities or, alternately, the Second Plan estimate of growth in goods traffic was itself an under-estimate. Of these two possibilities, the latter appears to be more probable.

In any case, it is difficult to understand why the target of goods traffic is fixed in terms of originating traffic when the lead of traffic cannot be taken to remain unchanged. In fact, as has been discussed in these columns (May 27, 1961), it is not merely likely, but almost certain, that the pattern of the movement of goods by rail, and with that the lead of traffic, will change in the Third

Plan. It is not understandable, therefore, that, the experience of the Second Plan notwithstanding, the Railways' programme in the Third Plan has been formulated on the basis of the originating traffic reaching 245 million tons in 1965-66. What is the assumption about the lead of traffic underlying this estimate? The Draft Report on the Plan gives no clue. It would not be surprising, therefore, if the Third Plan target of goods traffic proves as unrelated to the developing pattern of goods movements as the Second Plan target has proved to be.

The First Head to Roll

Our American Correspondent Writes:

"It will be curious result if the first head to roll after the Cuban affair is the head of the man who opposed it . . ."

The Evening Star, July 17.

THE exit of Mr Chester Bowles from the arena of foreign policy seems to have been postponed after the premature disclosure by some leading newspapers. At the press conference on July 26, Mr Kennedy, while expressing his "complete confidence" in the Under-Secretary of State added that he would not hesitate to ask Mr Bowles to take another post if he thought he could be used more effectively. Such an impending casualty within the first six months of the Kennedy regime deserves some comment.

One major source of disappointment with the present administration has been its foreign policy which has sorely lacked clear direction. This was painfully demonstrated by the Cuban debacle and it was pretty certain that some of the after-effects would soon appear. One of the main reasons for Mr Bowles' impending resignation seems to be his sharp disagreement with the administration on action against Cuba.

The second important reason for Mr Bowles' resignation may be his differences with the administration on the question of Chinese admission to the United Nations. He has not argued for the admission, but has

only committed the minor sin of asking that the question be squarely faced and debated. To the Legislators at Capitol Hill even such a moderate position is fraught with danger. Kennedy who is placating these men for their support of his legislative programme is apparently prepared to sell short his China policy.

The third possible reason for Mr Bowles' break with the administration may be his role as the leading backer of a policy supporting Angola against Portuguese repressions. Conflict may have arisen with the State Department officials who would give precedence to strengthening the North Atlantic Treaty Organisation over recognition of the rights of African Colonies.

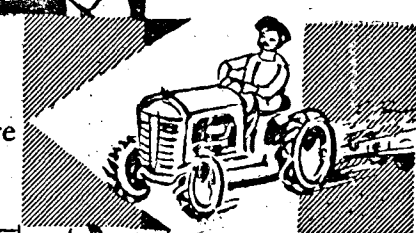
Finally, it is suggested that there has been a personal problem. Kennedy, interested in a ferment of ideas around him, assigned Mr Bowles, who is famous for his fresh and bold ideas, the operational and administrative role of the Under-Secretary. Administration of the Department of State is said to be nothing less than a Herculean task after the Dulles era which completely reduced the effectiveness of the Department. The colourless caution of Dean Rusk has not helped matters. President Kennedy is believed to have expressed increasing dissatisfaction with the operation of the Department's machinery.

But these reasons for the Bowles-Kennedy split are only symptoms of the serious drawbacks in the President's grasp of the policy, personnel and machinery of the State Department. The first six months of the new administration are coming to a close and Kennedy's record on the domestic front still remains to be equalled, by a far shot, in foreign affairs. Dazzling dinners on historic sites as the one recently arranged for the Pakistani guest, are a poor substitute for a bold and fresh approach in foreign affairs. The Berlin crisis offers a crucial challenge to the young President and it will be a pity if men like Chester Bowles are not around to give the sound advice that they once gave though it was then spurned.



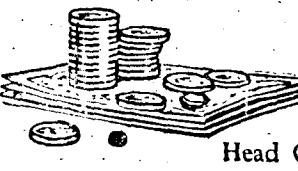
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Letter from South

The Evolving Pattern of Rural Development

Hyderabad, July 25 :

THE annual conferences on Community Development convened by the Central Ministry of Community Development and Co-operation play an important role in considering the various problems that continually arise in the course of implementation of Community Development programmes and the changes in the complexion and content of the programmes as a result of the progressive introduction of Panchayati Raj. The rapid extension of Panchayati Raj scheme in different States is bringing with it a series of problems, some of which are of a general character while others are particular to local conditions in different States. It is evident that for these problems no uniform or universally applicable or acceptable solutions can be devised at least not immediately. Solutions are being improvised by State Governments and only when their experience can be pooled can uniformly applicable answers be found for the questions which are now being asked.

The conference of Development Commissioners and later the conference of State Ministers of Community Development and Co-operation attempted to tackle some of these problems when they met here from July 13 to 18. Everyone present at the conferences accepted that Panchayati Raj could no longer be regarded as an experiment. It should now be regarded as the accepted form of local administration in the country. It was also accepted that Panchayati Raj is not the Community Development Programme under a different name but something more comprehensive. It is the basis of a new administrative structure, which would in course of time acquire a position as important as that of the governmental machinery in the States. As the scheme evolves and gets established, an amendment of the Constitution may be necessary to fit it into the administrative structure envisaged in the Constitution. As it is, Village Panchayats have merely been mentioned in the Constitution in the section on Directive Principles.

The Panchayati Raj scheme, in the immediate future, is charged with the responsibility of developing agriculture to achieve the goal of self-sufficiency in foodgrains and agricultural raw materials and to transform the social outlook and attitude of the village communities to make them dynamic participants in national progress. The scheme is intended to bring about this transformation in a democratic manner by vesting responsibility for local development in elected village assemblies and popularly constituted bodies at the block and the district levels. The chief means of achieving these objectives is the formulation of village production plans. Shri V T Krishnamachari who presided over the Development Commissioners' Conference, regarded the drawing up of village plans and the provision of an adequate extension machinery to help implement them as the two vital factors in rural development which should receive concentrated attention. The village plans, besides providing for the needs of agriculture, would also include schemes for development of village industries and creation of village co-operatives, schools, community centres, 'yuvak mandals', 'mahila mandals', etc.

Ten-Point Test

Shri S K Dey prescribed a ten-point test for evaluating the working of the Panchayati Raj scheme. The raising of agricultural production naturally occupies the first place in this test. Apart from the prescription of methods by which the aim could be attained and also the provision of services and tools, the emphasis is on the involvement of the people themselves in the processes of increasing production.

The Hyderabad conferences discussed a variety of problems — programmatic, administrative, organisational and so on — which the last 18 months' experience of Panchayati Raj and Community Development programmes have raised. To some of them answers have been provided and for others possible answers have been indicated for consideration by the respective State Governments. A number of the recommendations made by the conferences were based on the experience of Panchayati Raj in Andhra Pradesh and Rajasthan, which now occupy the position of laboratories for the scheme.

Some of the more important problems which came up for consideration may be mentioned here. The importance of an assured supply, at cheap rates, of agricultural implements to the cultivators was recognised by the conferences and the State Governments were asked to ensure that this need is met by arranging for adequate supplies of iron and steel to the fabricating concerns. Village artisans like carpenters and blacksmiths have to be trained and the training schemes have to be co-ordinated with provision of financial aid to the trained artisans to start work. Supply of good seeds and fertiliser must be ensured by streamlining the arrangements for their distribution. Village production programmes should concentrate on starting village and small industries. Panchayat Samitis should take on the task of disseminating information about available opportunities and techniques to interested persons. Then, there is, of course, the age-old problem of supply of credit to the cultivators in adequate amounts and at the right time without too many procedural formalities.

Extension services to increase production should go hand in hand with other programmes for the benefit of youth, women and children and provision of facilities for education and medical assistance. The extension of compulsory and free primary education needs to be accorded high priority as a Plan objective. In some States like Andhra Pradesh, where this scheme has been started, it is in the doldrums because of the lack of trained teachers and school buildings and the lack of any arrangement for free supply of text-books to pupils.

For implementing these programmes, funds should be made

available in the schematic budgets of the Panchayati Raj institutions. Extension personnel for different schemes should also be provided. It is not unoften that essential programmes are held up for lack of trained extension staff. The provision of funds for programmes in the State Government budgets does not always mean their availability at the proper time to the Samitis. Administrative and financial procedures impede smooth channelisation of available budgetary resources at present.

Administrative Problems

On the administrative side are a variety of problems, which vary with different States. The Community Development conferences discussed a number of them. For example, on the question whether legislators should be eligible for election as office-bearers in Panchayati Raj institutions, general opinion was that they should not be, but that they should be members without voting rights. In fact, no such restriction exists in Andhra Pradesh at present and many zilla parishad chairmen are mem-

bers of the State legislature. Other questions raised were whether zilla parishads should be merely co-ordinating institutions as in Rajasthan or whether they should be entrusted as in Andhra Pradesh, with executive and administrative functions in respect of secondary education, district communications and so on. What should be the inter-relationship between the three tiers of Panchayati Raj? What should be the role of the Collector as head of the district administration vis-a-vis the chairmen of Zilla Parishads and with Panchayati Raj agencies generally, and, in particular, the administrative personnel employed under these institutions? What should be the proper relationship between the non-official Samiti presidents and the Samiti administrative staff, including the Block Development Officer and the extension staff? Though speedy and smooth implementation of Community Development and Panchayati Raj schemes depends on co-operative and harmonious relations between the popular and the official wings of samiti administration, at

present not much co-operation and harmony exists between them.

Another set of problems relates to the broadening of the popular and financial base of Panchayati Raj institutions. For example, the Panchayats, generally speaking, have few resources to fall back upon and the Sarpanches seldom collect the local taxes and cesses. It is now more or less accepted as a policy that Panchayats should be allocated a proportion of the land revenue collections from the village but on what basis and criteria this should be done remains to be worked out in many States. To facilitate direct participation of the village population in the work of the Panchayat, it has been proposed that Gaon (village) Sabhas should be organised for each Panchayat village, which could meet twice or thrice a year to approve or modify the Panchayat programmes and generally to review the work of the Panchayatdars. If Panchayats are made accountable to the people by some such arrangements, how can Samitis in their turn be made accountable to the Panchayats?

Book Review

Hire Purchase in Britain

Kersi Doodha

Hire Purchase in a Free Society by Ralph Harris, Margot Naylor and Arthur Seldon, Hutchinson, London, 1961, Pp 319, 30s.

HIRE purchase or instalment credit may be defined as a system under which loans and commodity purchases may be fractionally liquidated, through a contractual obligation indicating the manner and the period of payment. This method of financing is as old as the credit system, but it sprung into prominence only recently. The need for instalment credit principally arises from the high prices of goods that make life more comfortable and the low incomes relatively of those who wish to possess these goods.

Hire purchase is most popular in the United States. The per capita instalment debt (in 1960) is the highest in that country at £14, whereas in Germany it was £7, in France £5 and in Holland £4. With the increase in its importance, principally during the post-War years, increasing attention legitimately comes to be devoted to a study of mechanics of the hire purchase system. In the wake of its popularity, historically there has also followed resentment. This makes it an object of controversy and much misunderstanding, gradually leading to a perspective analysis of the hire purchase system by experts.

The economic literature on instalment credit is sparse and there are many gaps in current knowledge about it. This is true even in a country like the United States. The six volume compendium on "Consumer Instalment Credit" recently published by the Board of Governors of the Federal Reserve System fails to do justice to its subject. On the contrary, it pointed to more intensive research and compilation and publication of more data.

Pioneering Study

This serves to emphasise the importance of a virginal study in a country where till some four years ago, nobody knew the exact position of instalment credit. Such a country was the United Kingdom where the Board of Trade gave tentative figures of hire purchase trading for the first time in 1956. The magnitude of hire purchase as revealed by

the Board of Trade then astounded the sceptics. Its growing importance in an inflationary situation led to many of critics of hire purchase making it the "scapegoat" for the inflation. (p. 34). The promotion of consumption, that hire purchase was generally believed to be responsible for, was held responsible for the low investment. For, not Adam Smith and his followers preach the wisdom of thrift? Can England give up a century of tradition at the altar of faddism? Could Britons tolerate purchases on a debt?

This kind of social ostracism and public criticism was accepted by the Government too! The State actively opposed the hire purchase movement and instituted curbs on its growth. The Capital Issues Committee, except for a short period between the autumn of 1954 and the spring of 1955, barred finance companies from raising fresh capital in the open market. The commercial banks till as late as the summer of 1958 were loath to plunge into this new-fangled business. The monetary authorities were quick to clamp down controls on hire purchase at the slightest provocation.

The indiscriminate use of controls to extend credit for hire purchase and unwillingness of finance houses were based on the belief that the hire purchase system required to be controlled in the interest of the economy. The book under review was written principally to meet this challenge. It also aimed at investigating the structural aspects of instalment buying and presenting the public with an objective appraisal.

The scope of the study falls essentially into four parts: the historical antecedent of hire purchase, its institutional aspect, the role of hire purchase in the national economy and the growth of instalment credit abroad. In the United Kingdom, unlike the United States, "the early customers for hire purchase were not the masses." (p. 21). However, as the notion of fixed spending altered, people saw nothing wrong

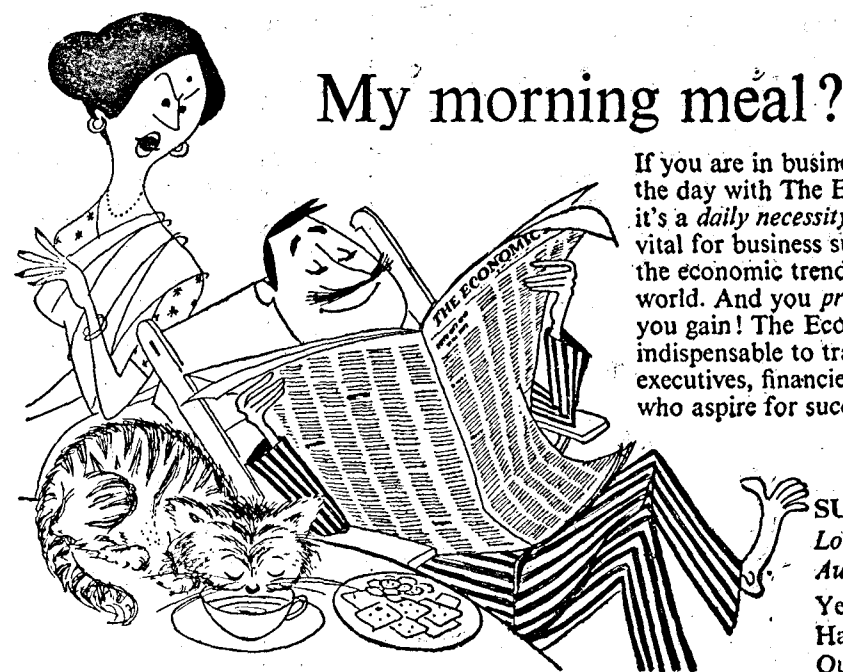
in pledging a part of their future income.

Sewing Machine Started It All

The invention of the sewing machine about the middle of the nineteenth century provided an opportunity to launch the hire purchase system. The pattern of transaction adopted by the Singer Sewing Machine Company set the example for later emulation by suppliers of pianos, furniture and other household equipment. The introduction of the automobile accelerated the movement of hire purchase in 1918. The success with cars encouraged the extension of hire purchase to gramophones, radio and television.

The empirical survey of Part I is followed by an institutional study of hire purchase in Part II, where an examination of finance companies is conducted with respect to the manner "of raising capital and cash, how these funds are used, and what standards the public can apply to judge their financial standing." (p. 38). The authors fail to inform us on the structural aspects of finance companies. For example, in the United States, the institutions, excluding the retailers, are lumped under credit unions, sales finance companies, industrial banking companies and personal loan departments of commercial banks.

Secondly, in the United States, the instalment credit system is a fairly centralized affair, the most important pivots being the five big sales finance companies. But in the United Kingdom, a peculiar feature is the mushroom type of finance houses: there being as many as 1501 companies at the end of December 1957, of which about 1049 had capital resources under £25,000. The larger finance houses have combined into central associations called the Finance Houses Association and the Industrial Bankers' Association. However, the relationship between the members and the central body seems to be weak as the attempt by the FHA in March 1959 to prevent unhealthy practices in lending terms



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by instituting a standard code failed miserably and had to be given up in two months.

Resources of Finance Companies

In so far as the resources are concerned, the early finance companies had to rely mainly on owned capital or that supplied by the directors and their friends and relatives. Later, non-financial investors loaned their surplus funds. Still, later, finance houses were established as the subsidiaries of large manufacturing concerns, so that their entire capital needs were financed by the parent company. The commercial bank's interest, as pointed out earlier, was aroused only three years back. English bankers, being traditionally arch-conservatives, were loath to finance hire purchase deals. Even today bank financing is not substantial, though it is growing: from £23 m in 1956 to £148 m in May 1960.

The boom of the middle 'sixties caused a scarcity of capital. Lack of interest on the part of banks and the prevention of fresh capital issues by the Capital Issues Committee provoked the finance houses to innovate a new method of attracting capital, viz the acceptance of deposits at favourable rates of interest. The popularity of this system both in the United States and the United Kingdom, has prompted many studies on the possible circumvention of monetary discipline through the non-banking financial intermediaries.

The principal forms of capital resources are easily indicated from the analysis of top 14 finance companies who are the members of the FHA and the IBA (p 84 and 88). In 1953, the risk capital (including the funded debt) accounted for 28 per cent, bank loans 29 per cent and deposits 43 per cent of the total capital. As compared to this, in 1959, we find that bank loans are constant at 29 per cent, but the share of risk capital is down to 18 per cent, while that of deposits increased to 53 per cent. It is quite likely that in future unless the commercial banks revise their policy, the share of deposits will continue to grow or be maintained at the current high level.

The use of the funds is a very tricky affair. It requires expert judgment about the borrower and the firm's resource position. Many rating systems and formulae have been devised to which no reference is

made in the book. The study, however, lays down a broad principle that "From a strictly legal point of view a finance company is not a lender of money but a supplier of goods on credit to hirers who intend to buy them. In effect, the specific goods financed serve as collateral against credit advanced. In such transactions, therefore, special consideration must be given to selecting for finance suitable goods, customers and dealers, and, not least, enforcing appropriate terms governing the amount of deposit and period of repayment." (p 56).

Terms of Hire Purchase

Leaving aside the other aspects, I propose to deal principally with the choice of terms such as size of the down payment, amount of instalment, period of maturity and the finance charge. In general, the practice in UK (because of regulation) is to demand 15 to 20 per cent as down payment (the authors call this the minimum deposit). No details of the size of the instalment are provided even though we know that they tend to vary with seasonal industries such as agriculture and ice-cream trades; but we are told that the maximum maturity period is of two years. During the period when regulation was relaxed the authors state that the down payment varied from 5 to 10 per cent and the maturity was stretched to 3 to 4 years.

The treatment of contract terms is very superficial, no analysis being made of the contract provisions, or of their various maturities, the types of borrowers, the size of the loans advanced, etc., Likewise the statement of the important controversy over the finance charges is not dealt in detail. The mode of levying and calculating the finance charges has been a matter of intense controversy, so much so that hire purchase has been cynically referred to as higher purchase. This is because the method of quoting the rates is invariably on the total principal and not the balance outstanding. Consequently, the finance charge is almost double that usually quoted. Besides where the rate is mentioned overtly it can be neutralized by a variety of special charges and commissions imposed on late payments, renewals, investigations, insurance, guarantees, etc.

The authors fail to draw the reader's attention to these facts nor do they state what the practice is in

UK. On the contrary, they confuse the reader by seeking a link between finance charges and total costs of handling applications. Thus curiously they find that "on a merchandise involving finance of £15 for 12 months, the total cost would be 28 per cent (equivalent to a true rate of 52 per cent)" (p 68 and also Appendix C).

Impact on British Economy

The principles and policy operations of finance houses lead to study of "the extent and the nature of its (hire purchase's) impact upon the British economy during recent years" and "the role of hire purchase in an expanding and free society" (Part III, p 104). An analysis of the outstanding hire purchase debt as on June 1960, showed that of the total of £966 m, about £895 m was shared almost equally by cars and consumer's durables. Of the remaining, farm and industrial equipment accounted for £44 m and other goods £27 m. If a comparison of the structural growth is made for the period December 1957 to June 1960, it is found that cars and consumer's durables grew by 230 per cent, other goods by 200 per cent, and industrial equipment by 110 per cent.

The favourable trend in respect of farm and industrial equipment was noticed as early as 1953 by Douglas Vickers when he observed in an article in the *Banker* that, "one of the important points that arise from and investigation of hire purchase trading is the considerable extent to which the facilities are being used in the field of producer's goods." Messrs Harris and Company also recognise this fact when they observe: "There certainly appears to be considerable scope for more effective exploitation of hire purchase, particularly in industrial equipment." (p 145).

This leads to an interesting methodological issue. Economic literature in the instalment credit field traditionally views hire purchase as a special case of consumer credit or financing of consumer goods as opposed to producer goods. Consequently, the terms are synonymously used. This inference may have had its justification in the initial development of the system because at that time this form of credit came to be predominantly extended towards the financing of consumer durables.

In recent times, however, producer goods (which include housing as an income generating activity) have

come to be financed by instalment credit and the complex of pros and cons of the system, therefore, undergoes a change. The role of instalment credit is no longer strictly to be viewed as "unproductive" in the classical sense, but as something desirable from the social standpoint. Moreover, the consideration of this dual flow within the hire purchase debt, leads to different conclusions in so far as cyclical and long-term problems are concerned. It also calls for a different application of the control machinery.

Owing to the neglect of the bi-partisan credit flow, the discussion of the role of hire purchase by the authors is confined within the usual periphery of consumption benefits, such as equal distribution of durable assets in society, compulsory savings, better standards of living and increased welfare. The arguments against hire purchase have been similarly conducted at the ubiquitous level of institutional weaknesses and the economic effect of inflation.

Interesting Statistics

Part IV dealing with "Instalment Credit Overseas" running well into

Outstanding Instalment Credit in Different Countries
As on December 1959
(£ in millions)

Country	Amount	GNP	% of GNP
United States	14107.0	172,214.0	8.2
United Kingdom	857.0	23,700.0	3.6
Australia	470.7	13,488.2	3.5
W. Germany	354.9	21,233.0	1.7
France	172.0	18,739.0	0.9
Canada	155.3	12,332.0	1.3
S. Africa*	150.0	4,994.8	3.0
Holland	50.0	3,642.0	1.4
Sweden	31.6	4,037.0	0.8
Ireland	19.5	1,710.8	1.1
Norway	15.8	1,495.0	1.1
New Zealand	11.8	3,452.4	0.3
TOTAL	16395.6	281,038.2	

* National Income figures relate to 1958.

hundred pages is a description asset to the book. It brings upto date the statistics relating to this system in various countries. The table indicates the extent of hire purchase debt and its ratio to gross national product. The treatment is superficial in some cases, but that is bound to be in a divergent source compiled study of this kind. A notable omission is Japan, where instalment credit is becoming increasingly popular.

Another asset of the book is the discussion of the legal aspect of the hire purchase trade.

It is to be hoped that the authors will enhance the utility of the book by remedying some of these shortcomings in their future edition. Barring them, the book can be considered to be a good modest attempt at providing some significant information in a sphere where previously a vacuum existed.

Need for a National Policy on Urbanisation

P G Ganguly

In the general perspective of planning as an on-going process and particularly in the immediate context of the Third Plan, urbanisation as a complex of problems has not received the attention it deserves at effective levels of planning and government.

It is suggested here that it is not too early — it might be too late for some purposes — to stress the need for a national policy on urbanisation, functionally coordinated with economic planning.

CENTRAL planning has been adopted in India as the major technique for utilizing the limited resources of the country for achieving the goal of a prosperous welfare state. After decades of arrested industrial development, rapid industrialisation is necessary in order to meet successfully the problems of unemployment, low productivity, low per capita income and slow capital formation. It is, however, not realized clearly that when steps are taken to achieve these economic goals, the whole society undergoes revolutionary structural changes and people are faced with serious problems of adjustment. If a proper strategy is not evolved to solve these problems, economic development may create more problems than it solves.

With the growing pace of industrialization, an ever-increasing number of people is expected to shift from agricultural occupations to non-agricultural ones. A major consequence of this transformation, is the rapid growth of urban population. If effective and timely steps are not taken to regulate urban growth, the whole process tends to get out of control.

Calcutta is an apt example of this. It seems almost impossible today to undo the harm done by years of unplanned growth. Calcutta, obviously, is not alone and new towns are coming up particularly in the underdeveloped areas of the country. In the general perspective of planning as an on-going process and particularly in the immediate context of the Third Five Year Plan, one feels that urbanization as a complex of problems has not received the attention it deserves at effective levels of planning and government. We suggest that it is not too early—it might be too late for some purposes—to stress the need for a national policy on urbanization functionally co-ordinated, when necessary, with economic planning.

We cannot go into the details of the content of such a policy nor can we discuss in this brief space the necessary administrative restructuring involved in an effective execution of this policy. These problems need detailed study but, meanwhile, the following considerations appear to be relevant.

Need for Research

First, the national policy on urbanization will have to be based on curative, preventive and developmental steps. Intricate operational problems are involved here which cannot be successfully met without a really high-powered, top-level, government authority to implement the policy. Continuous research is also necessary in this context, on a larger and more sophisticated basis than what has so far been used by the Research Programmes Committee of the Planning Commission. It is significant that urban sociology is almost an unheard-of subject in Indian universities and the so-called urban studies of Indian cities and towns conducted under the patronage and with the finances of the RPC, are mostly conventional socio-economic surveys, pock-marked with percentage calculations. A lot of money is spent on such studies only to prove that our towns have a huge population of poor people. The social surveys should be conducted with an awareness of the significance of sociological problems and the tools used by contemporary students of urban societies. Without a mechanism for a continuous collection of facts, framed in theories, planned urbanization will remain a sterile policy.

Second, a definite policy for planned urbanization should be evolved, timed and balanced with rapid industrialization for which a national policy already exists. This is a delicate task in a developing country like India which is faced with the difficult choice of allocating limited resources to meet immediate

social problems or alternatively, for investment in productive enterprises with a view to maximising the long term rate of growth. This problem was discussed in the Unesco Seminar on Urbanization in Asia and Far East and, in the specific background of the Indian conditions, it merits further discussion.

In addition, the national policy will also have to consider the need for decelerating the rate of urbanization by inducing, where possible, the uneconomic rural population in urban areas to return to villages. This policy, in effect, will mean to a great extent the reversal of the rural-urban trend of migration and it will have to keep in view the possibilities of (a) action to increase agricultural productivity and income, including facilities for rural credit and increased utilization of co-operative techniques, (b) efforts to make village life more attractive, (c) stimulation of village and cottage industries, (d) decentralization of new industrial development (e) improvements in communication, (f) resettlement programmes including opening up of new agricultural land, (g) land tenure reform (h) finally, regional perspective in planning. These aspects of the proposed national policy are mentioned here in order to indicate the nature of administrative co-ordination or innovation that appears imperative for formulating and executing the policy.

We have here confined ourselves to indicating the urgency of a national policy on urbanisation and for pointing up some of the problems involved in the process. This important aspect of planning must get its due. The old adage says that God made the country and man made the town. In India no one made the towns; they just grew. But if urbanisation is not planned even now, the devil will soon take over our cities, if he has not done so already.

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Second Agricultural Labour Enquiry

Review and Suggestions

V K R V Rao

Immediately on the publication of the Report of the Second Agricultural Labour Enquiry towards the end of 1960, controversy developed regarding its suggestion of a deterioration in the position of the agricultural labourer.

The Institute of Economic Growth, Delhi, organised a Seminar on February 17, 1961, at which economists from the University of Delhi and representatives of the Ministries of Labour, Food and Agriculture and Community Development, and of organisations like the Planning Commission, the National Sample Survey, the Central Statistical Organisation and the National Council of Applied Economic Research were invited to attend and read papers. The Seminar was presided over by Dr V K R V Rao of the Institute.

The Seminar appeared to suggest the conclusion that the results of the two Enquiries were not comparable because of sampling and definitional differences and that therefore no inference could be drawn regarding the change, if any, in the conditions of agricultural labour between the two Enquiries.

The Governmental economists attending the Seminar, however, sharply differed from this view.

It was clear, therefore, that the question needed further discussion, which, it was felt, may reveal the presence of comparability at least in some spheres of the study. Even where comparison was distorted, more discussion could lead to the formulation of a procedure which would reconcile the demand for improvement in the sampling frame definitions, etc, with the need to maintain comparability. This would certainly be useful in the conduct of a third Enquiry into the conditions of agricultural labour which was quite likely to be organised in the near future.

A second Seminar was accordingly organised on March 25, 1961 at the Institute at which further papers were read. The result was a clearer demarcation between the comparable and non-comparable spheres and a better perception of real, as distinct from statistical, changes in the position of agricultural labour.

AT first sight, the Report of the Second Agricultural Labour Enquiry showed a visible deterioration in the conditions of agricultural labour as compared to the position revealed by the First Enquiry. Thus the average daily wage rate of casual male agricultural labourers showed a decrease of 12 per cent, the recorded figure being 96 naya paisa as compared to 109 naya paisa in 1950-51; the corresponding figures for females were 59 nP and 68 nP respectively or a decrease of 14 per cent. Agricultural Labour households in debt appeared to have increased the accumulated debt per household from 45 per cent to 64 per cent and from Rs 47 to Rs 88. As regards employment, casual male agricultural labour showed a slight decrease in wage-employment from 200 to 197 days, but a larger decrease in self-employment from 75 to 40 days in the year. For female casual labour, wage employment showed a slight increase from 134 to 141 days in the year. Taking all the workers together, unemployment on the average recorded an increase, going up to 110 days in a year as compared to 98 days during

the First Enquiry. Finally, the average annual income of agricultural labour households showed a decrease from Rs 495 to Rs 439 for casual workers and from Rs 524 to Rs 451 for attached workers.

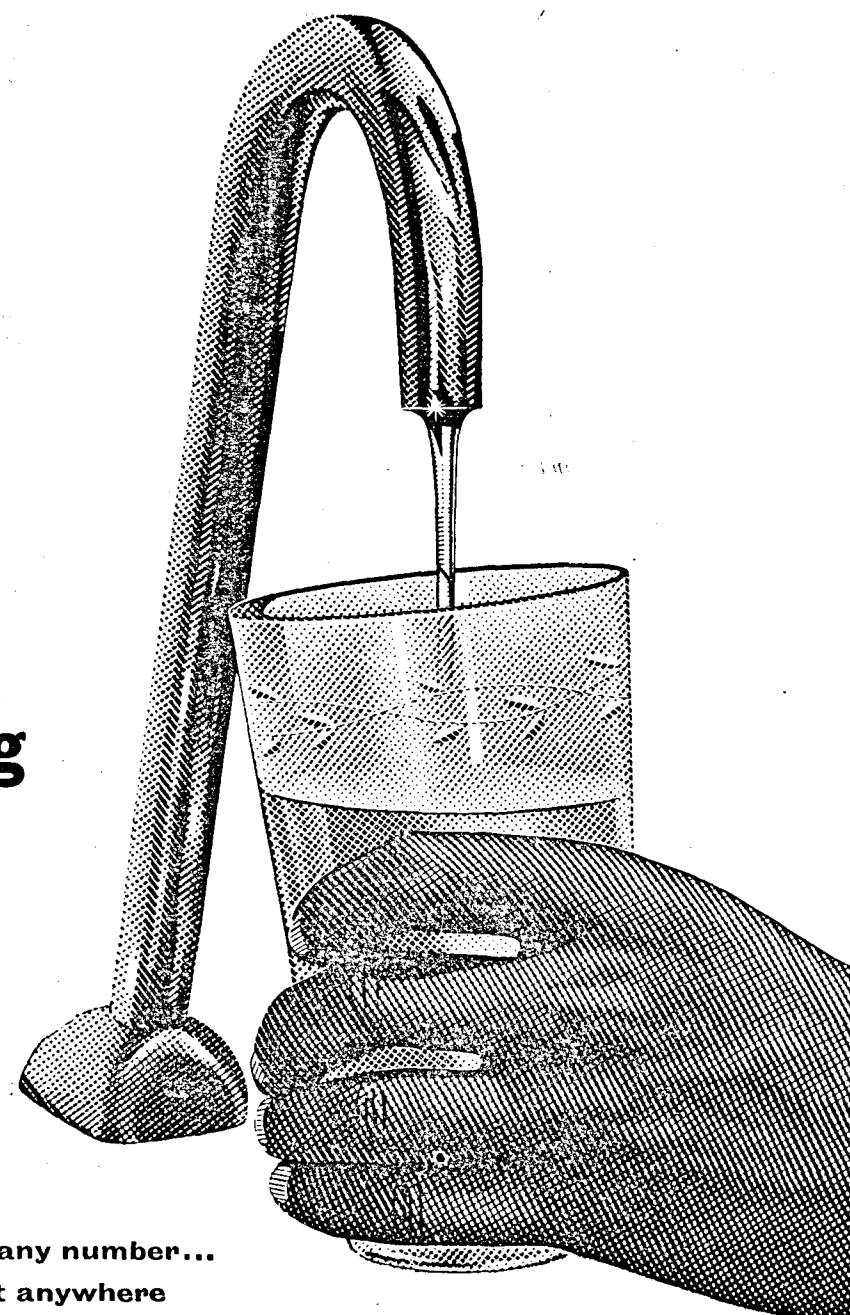
Two Views

At the same time, the figures showed a decrease in the proportion of agricultural labour households owning or leasing land from 49.9 per cent to 42.9 per cent, and an increase in the proportion of attached labour households from 10 per cent to 27 per cent with a corresponding decline in that of casual labour households from 90 per cent to 73 per cent. Of paradoxical import was the decline in the number of agricultural labour households from 17.9 million to 16.3 million or a decrease of 9 per cent, as against an increase in the number of rural households as a whole by 13 per cent from 58.9 millions to 66.6 million. Equally striking was the increase shown in the average annual consumption expenditure of agricultural labour households from Rs 451 to Rs 617 as against an actual

decrease in the average annual income per such household.

It was certainly surprising that while total agricultural output and income during the period between the two Enquiries had shown a substantial increase there should have been a decline both in the number of agricultural labour households and in the average annual income per such household. If true, this meant not only an absolute but also a comparative worsening of the conditions of agricultural labour and would obviously give rise to serious policy implications. If false, it meant that the two Enquiries were not comparable as indicative of the change that had taken place in the conditions of agricultural labour and obviously exposed government to a charge of technical incompetence in the planning and handling of either or both the Enquiries into Agricultural Labour. Both these views had adherents among the participants in the Seminar. Of more interest, however, was the attempt that ensued to examine the definition, coverage and methodology used in both the Enquiries and, after making the corrections necessary for validating

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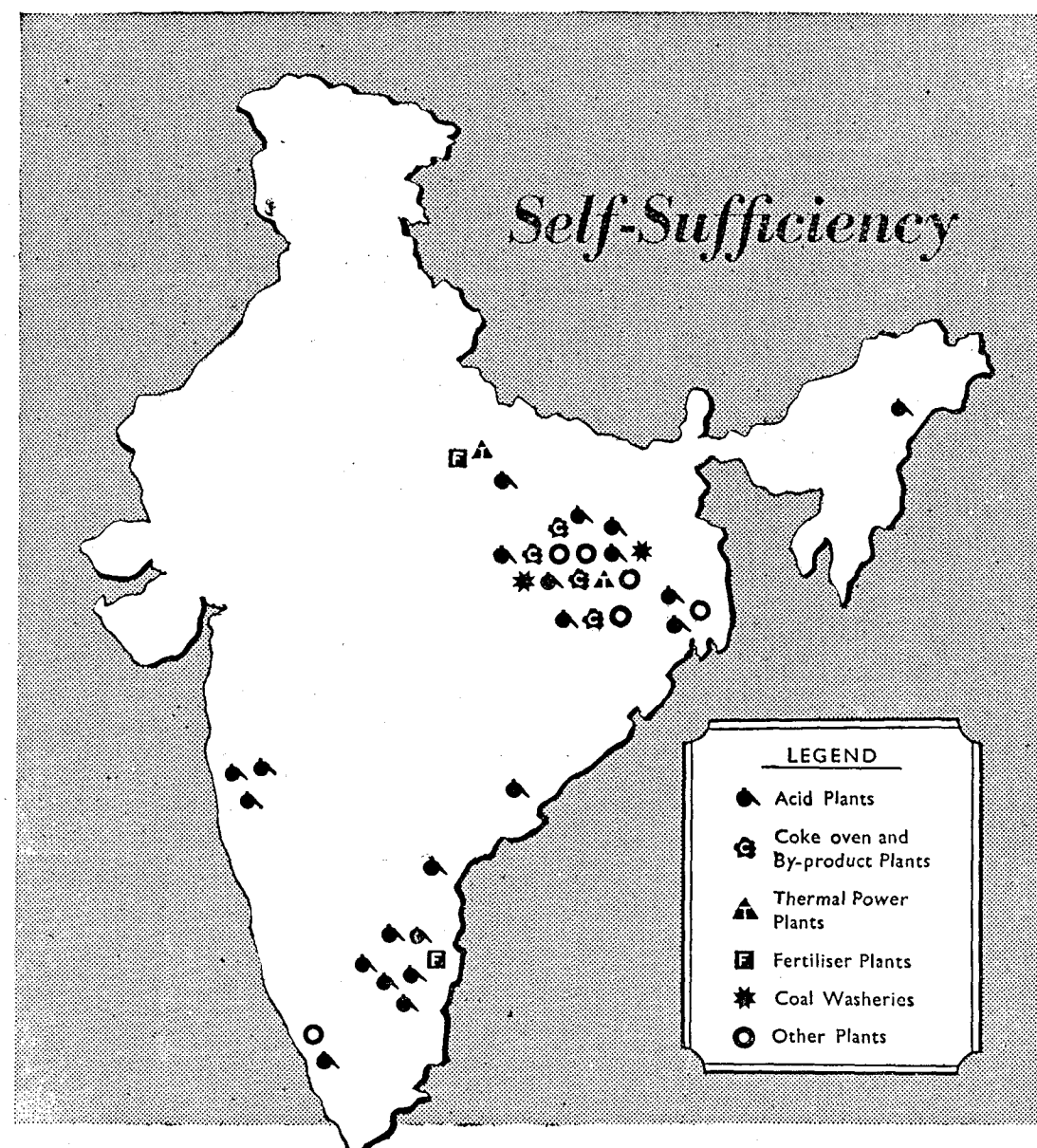
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however, the consensus of opinion was that the major reason for the recorded decline in the number of agricultural labour households was the change in definition.

III

The next question that came up for discussion was the validity of the finding that the economic condition of agricultural labour households in the Second Enquiry excluded by definition such of their number in the First Enquiry whose income from cultivation had increased in the meanwhile and become the major part of their total income, it was clear that the finding was not correct. It follows that a more genuine comparison that would be free from definitional changes would be possible only if agricultural labour households with income from cultivation were excluded from both the Enquiries. If this is done, and a comparison instituted between agricultural labour households without land in both the Enquiry periods, the figures reveal an improvement in economic condition, household income having gone up from Rs 393 to Rs 472 and from Rs 402 to Rs 525 respectively in the case of casual and attached workers.

Valuation of Income

Taking together both types of agricultural labour households, i.e., those with land as well as without, another explanation put forward for the apparent decline in average income was the difference in the method of valuation of receipts in kind used in the two Enquiries. Thus, in the First Enquiry, retail prices were used for such valuation, while in the Second, wholesale prices were used; and this was naturally likely to lead to a comparative underestimation of agricultural labour incomes during the period of the Second Enquiry. Apart from this theoretical consideration, the wholesale prices of 1956 used for valuation of receipts in kind in the Second Enquiry were actually about 10 per cent lower than the retail prices used for this purpose in the First Enquiry; and this could account for a decline of at least 4 per cent in wage rates.

In further defence of the thesis of underestimation of income in the Second Enquiry were two suggestions put forward by Mr Chellaswami. One related to the change in the sample frame, which was said

to have worked in favour of an element of overestimation of income in the First Enquiry and therefore, by comparison, to an element of underestimation in the second. Thus in the First Enquiry, the same set of households was covered every month for twelve months and if some left the sampled village in the course of the Enquiry, they were omitted from tabulation. As such omissions were likely to be of persons without land and with lower incomes, since they are more likely to leave, this would lead to an overestimation of average income in the First Enquiry. This element of overestimation was, however, not present in the Second Enquiry as the sample frame employed was a moving set of villages (3600 in all) staggered evenly over a period of twelve months. Mr Chellaswami also suggested that the agricultural labour households which may have become relatively better off at the time of the Second Enquiry may have reported themselves as peasant or cultivating households "a classification more flattering to them", and this would also result in some underestimation of average income of agricultural labour households during the Second Enquiry.

Specific Adventitious Circumstances

Another point made during the discussion was that even if there was some decline in agricultural labour income at the time of the Second Enquiry, this was due to adventitious circumstances specific to the year 1956-57 and could not be construed as indicative of a trend over time. This was emphatically the opinion of Dr R N Poduval and Dr P K Mukherjee, both of the Ministry of Food and Agriculture, who contended that consequent on the sharp fall in agricultural prices during 1953-55, agricultural wages had also fallen and had not yet recovered at the time of the Second Enquiry.

A somewhat similar point was made by Dr N A Khan but with more elaborate reasoning in his paper. His contention was that U P and Bihar, which accounted for 29 per cent of agricultural labour households in the whole of India, had also the highest fall in agricultural labour earnings, viz., 21.5 per cent and 32 per cent respectively and that, if these two states were excluded from the na-

tional totals, the results would show an actual rise of 8 per cent in average agricultural labour earnings between 1950-51 and 1956-57. And the fall in agricultural labour earnings in these two states was due to factors specific to 1956-57 and could not be taken as indicative of a trend. Concentrating his attention on U P Dr Khan traced the fall in agricultural labour earnings in that State to the fall in sugarcane prices and the effect this had on the general level of agricultural wages.

The major dissenting voice to this thesis of underestimation in average agricultural earnings during the Second Enquiry was that of Professor D Ghosh, who presented his view with force and cogency in his paper. He was not convinced that the deterioration in conditions shown by the Second Enquiry was just the result of definitional changes. On the contrary, his contention was that the Second Enquiry revealed a distinct fall in agricultural wage rates that should be regarded as a matter for serious concern, and that as this fall related to rates rather than average earnings, it was independent of definitional differences. Thus he pointed out that the daily cash wages of casual agricultural male labourers had fallen from 109 naya paisa to 96 nP or by 12 per cent and of females from 68 nP to 59 nP or by 14 per cent. At the same time unemployment among them had increased from 90 to 128 man days, and it was therefore not surprising that the yearly wage income of casual workers' households had also recorded a fall.

Change in Demand for and Supply of Labour

Professor Ghosh backs up his contention with an ingenious analysis of changes in demand and supply of agricultural labour during this period. Demand for agricultural labour should, on a priori considerations, have increased with a 13 per cent increase in the gross cropped area, a 8 per cent increase in the use of fertilisers, and a significant increase in the adoption of improved practices. If nevertheless, wage rates had not risen but showed an actual fall, this was due to the structural changes that had taken place in the country's rural economy during this period. He ex-



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terms of quantity of foodgrain consumed per capita and switch-over to better-quality grains, he pointed out that this was not true of the lower strata of agricultural labourers. In particular, he dilated on the deterioration that had taken place in the consumption levels of agricultural labourers in U P in both absolute and comparative terms. His conclusions about U P gained additional force by the findings contained in Dr Khan's paper and should be a matter of serious concern to those in charge of agricultural policy in that State.

V

Taking into account all the papers submitted to the Seminar as well as the discussion that ensued thereon, there can be no doubt that there was considerable lack of comparability between the two Enquiries due to differences in methodology and that this vitiated any direct inference being drawn from the Second Enquiry in regard to the apparent deterioration in the conditions of agricultural labour households in general during the period covered by the two Enquiries. It was also clear that such changes as were not disputable had a lot to do with specific factors pertaining to the year chosen for the Second Enquiry and could not be treated as a trend over time.

When corrections are made for these factors, it appears that there has been no deterioration in the general conditions of agricultural labour households and that in fact, there has been some improvement in their levels of consumption with the possible exception of the U P. There is, however, no doubt that the economic position of agricultural labour has, in a fundamental sense, weakened during this period. This is due to the structural changes taking place in the rural economy as a result both of land reforms and the threat of land reforms, which has led to evictions, resumption of land for personal cultivation, partition of large holdings and a reduction in the average size of the cultivated holding with its consequent greater emphasis on self-cultivation and decline in demand for hired labour. Both land reforms and urbanisation are leading to a reduction in the number of agricultural labour households, but those that are left in the category are still too numerous to share fully in

the gain following the general increase in agricultural production and incomes. Cash wage rates are not increasing, and greater use is being made of underpaid female labour.

The conclusion seems inescapable that the size of the problem of agricultural labour is such that it cannot be solved within the ambit of even a reformed and improved agriculture, and that industrialisation alone is the only ultimate remedy for effecting a significant improvement in the absolute, if not a comparative, improvement in the conditions of agricultural labour in the country.

VI

We have had two Enquiries so far into the conditions of agricultural labour households and a third one is due within a short period. It is high time therefore that advantage is taken of the experience obtained in the working and analysis of the two Enquiries in order to improve both the absolute content and the degree of comparability of the forthcoming Third Enquiry.

Suggestions for Third Enquiry

The following suggestions are put forward in this connection:

1 Agricultural labour households should be treated as falling under two fundamentally different categories, viz, those with land and those without; and only the latter should form the subject of an agricultural labour enquiry proper. The former is also important and needs investigation, but this should be done for all classes of cultivators with holdings below a certain size rather than only for those who either return themselves as agricultural labour households or are so regarded by the investigator.

2 The difference between attached and casual agricultural labourers is difficult to operate statistically and by sampling methods. This distinction should therefore be given up. At the same time more data should be collected on the working conditions of agricultural labour especially with regard to duration and continuity of employment, whether employed by one employer or many, relations with employer etc, so that a suitable analysis could be made of basic differences, if any between different categories of agricultural labourers and the changes taking place in these differences. The distinction between

attached and casual labour will thus be brought within the sphere of economic analysis and interpretation where it more properly belongs and removed from the less meaningful and actually misleading sphere of statistical enumeration and classification.

3 The multiplicity of organisations responsible for planning, handling and writing the Report of the Second Survey was partly responsible for the defects noticed therein, and more especially for the lack of economic analysis both in the planning and the interpretation of its data. It is suggested that the planning, operation and analysis of the Third Survey should be left exclusively in the hands of the Ministry of Labour and its Labour Bureau, with, of course, such expert assistance as it requires from other government departments as well as from outside. But there should be no ambiguity about laying the responsibility for initiation, operation and analysis on the Labour Ministry.

4 Before the scheme of the Third Survey into agricultural labour is finalised, it would be useful if it could be published in draft form with details of objectives, methodology, draft schedules, instructions, etc, so that public discussion could ensue on the same and the necessary opportunity provided to economists and statisticians working in universities and non-official research institutions to make their constructive contribution at the preliminary stage rather than indulge in a caustic and on the whole post-mortem stage, that is, after not very satisfying criticism at the publication of the results of the Enquiry. Perhaps it would be even better if, after publication of the draft scheme, a seminar were to be organised for discussion of the same, before actually undertaking the Enquiry.

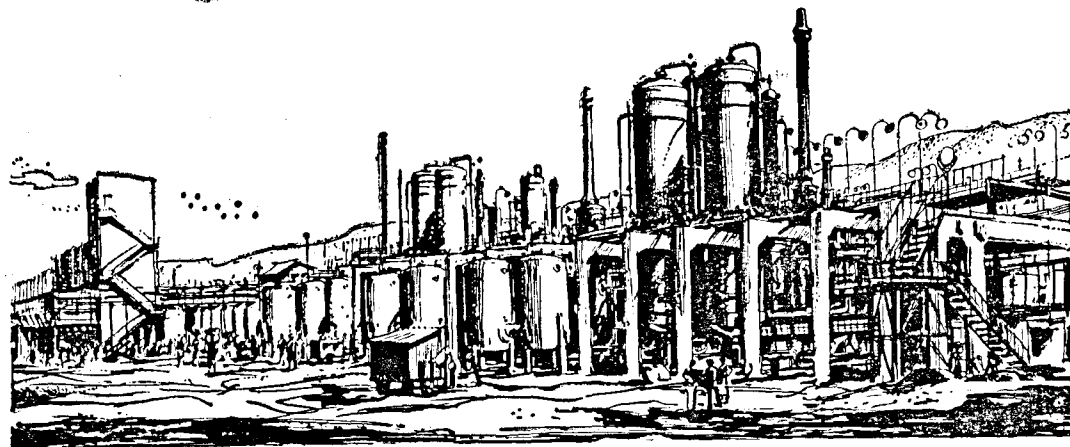
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Economic Policy of the Kennedy Administration

Edwin Kuh

Failure by the Government and the private sector to generate the more rapid rate of growth that President Kennedy wisely refers to, 4½ per cent instead of the 3 per cent characteristic until the present, could have serious consequences in coming years.

It could mean continued high levels of unemployment. It could mean a political swing to the right, well to the right of the present conservative temper of the country.

The present political balance of power, conservative as it is, might not be maintained for long unless per capita income rises at rates rapid enough to enable the growing population and labour force to see clearly a better way of life in the future, while at the same time the Federal Government fulfills its world-wide diplomatic and military obligations.

Perhaps accelerated growth is the most urgent problem of all, temporarily shoved to the sidelines by shorter term phenomena.

President Kennedy can jest with Khrushchev at press conferences about who is going to grow how fast, but unless the United States does better, the last laugh may be on the United States.

THE KENNEDY Administration came into office one month before the third and mildest Eisenhower recession hit bottom. Shortly thereafter, the speculative outflow of gold ceased and a modest return flow began. Even though unemployment remains at the 7 per cent level recession high, output and employment have increased vigorously for the past four months, and the balance of payments poses no immediate problem. Thus Kennedy's economic advisors face a happy future of at least six months to a year. But this is only a breathing spell.

The Eisenhower Legacy

When the crystal ball is focussed on 1963 and beyond, this rosy picture gives way to gimmer prospects. Ironically enough, much anxiety in official economic circles is a legacy of the Victorian mentality of former President Eisenhower's Administration. This legacy, mainly certain widespread attitudes in the country at large and in Congress too, has placed severe restrictions on the permissible actions that the present Government might take. While one disenchanted New Frontiersman referred to the new Government as "the third Eisenhower Administration" because of its reluctance to take vigorous economic policy action, a perhaps more correct interpretation would suggest that the split electorate has been interpreted by the Congress, in part at least as a mandate for Republican economic policy.

Just what is this Eisenhower Legacy? First, an abiding dread of budget deficits, apparently in the

belief that deficits and the Government debt are immoral. Second, the belief that any deviation from stable prices constitutes inflation, and inflation is a great moral curse. The two views are connected by the belief that deficits necessarily lead to dire inflation. Despite these precepts, Eisenhower ran the largest peace-time deficit in history in fiscal 1959. Also, in 1956 and 1957, most price indexes increased at recorded peace-time rates of 2 to 4 per cent a year, although by comparative standards, these would be viewed as a moderate dose of price level increase. This conservative philosophy, combined with the experience of the 1950's, led to economic policies in 1959 and 1960, which choked off the boom by the beginning of 1960 so that the two year long recovery from the 1958 lows was the shortest in post-war history. Thus, the new Democratic Administration has inherited an economy with substantial excess capacity and high levels of unemployment. Intelligent economic policy called for actions to fight deflation, not inflation, so that larger budget deficits were clearly needed.

Reasonable estimates by the Council of Economic Advisors suggest that the United States economy, which has been running with an increasing amount of slack since 1957, is now producing about \$40 billion per year less than its full capacity output. The deficit for the fiscal year just ended was about \$2.5 billion. The budget deficit for fiscal 1962 just beginning is projected at \$3.5 to 4.5 billion. Thus, prevalent political-economic conservatism has

restricted the projected deficit to this magnitude at a time when a deficit of, say \$10 billion, would have given the necessary thrust toward full employment. Civilian consumption and Government expenditures on goods and services, including foreign aid and military outlays adding up to substantially more than \$40 billion, will have been foresworn over the next year in the interest of still current 19th century economic fallacies.

Latent Revenue Surplus

Several things are beginning to worry Washington economists for the period after the middle of 1962. One of the main problems, related in a complicated way to the still influential budget balancing philosophy, is the latent Government revenue surplus. High marginal tax rates cause the Federal Government to collect between 25 and 30 cents out of every increase of \$1 in GNP during the early stages of an economic recovery. Hence, the current moderate budget deficit, still acting as a stimulus to recovery, will evaporate into surplus in nine to twelve months from now, with present expenditure programmes, even though full employment will not yet be achieved. A basic economic and political problem now faces the budget makers who must now begin to sketch the outlines of policy for the annual budget to take effect in the middle of 1962: how the expected budget surplus should be divided. If demands from the private sector become extremely strong, many would argue for a high budget surplus. This will have particular weight if the demand

strength comes from plant and equipment outlays that could not be readily matched by desired saving in the private sector. However, the inheritance of substantial excess capacity makes it doubtful that an extremely strong investment boom will be forthcoming. While it is impossible now to forecast accurately the date and strength of the plant and equipment investment recovery, the Eisenhower legacy of excess capacity makes it appear unlikely that a substantial budget surplus will be required as an offset to major private investment programmes.

Increased Government expenditures provide the second alternative way to use up the potential surplus. Instead of permitting a surplus to develop, such expenditures could be stepped up in order to maintain a high level of activity and help to prevent a recurrence of the short-term business cycle which has appeared with regularity in the American post-war scene. With a disturbed international situation, there is now talk of adding \$1 to \$2 billion to the current fiscal year defense budget. There are always advocates of greater Federal expenditure within the Government, so that spokesmen for substantial increases in slum clearance and Federal housing and even greater outlays on schools, education, and research find themselves in the unexpectedly pleasant position of a potential surplus to finance their particular programmes.

Pressure for Tax Cuts

Another clamorous and influential group will also join the fray over the potential budget surplus, the spokesman for private tax cuts. Numerous arguments are being advanced for cutting taxes. One group of under-consumptionists argues that unless consumer expenditure is stimulated by tax cuts, excess capacity will continue to plague us for years to come. Still others argue that it is unjust to maintain prohibitive marginal tax rates on the extremely high income brackets, apart from their undesirable resource allocation effects. A third wing of the tax cut group, interested in reforming the unwieldy tax structure and removing inequities, believes that tax cuts will be the necessary political price to be paid in order to streamline present legislation.

Disposition of the latent surplus is an issue being warmly debated behind the scenes now, and it will soon be out in the open. Of the three main possibilities mentioned, a budget surplus a set-up in Government expenditures, and a reduction in taxes, it seems most probable that some combination of the latter two will prevail, unless private demand shows unexpected vigor.

Inflation: the Second Major Problem

Inflation is the second major problem of 1962 and 1963. To many economists, the mild inflation of the 1955-1957 variety would not be a matter of particular concern. Two new circumstances make this lack of concern unwise in the present political and economic context. First, the currently favourable balance of payments situation would suffer from an increase in the domestic price level, and related to this, speculation on the possibility of inflation, even if based on unreasoning fears, could have adverse effects on our total payments position. Second, the Eisenhower legacy, which has fueled the extraordinarily emotional and widespread worry over inflation, makes it a politically delicate domestic problem.

A reduction in unemployment to 5 per cent might by the end of 1962 be accompanied by a moderate price rise, say 1-1/2 per cent to 2 per cent in the Consumer's Price Index. This possibility cannot be ruled out in the light of our recent wage-price history. As yet, there are no evident signs on the part of the Kennedy Administration that the voting public should be educated to accept a mild price rise as an accompaniment to a return to full employment. On the one hand, political realities make it doubtful that the Democratic Party will apply the knout of unemployment to restrain wage rate increases. Yet the possibilities of a wage-price spiral damaging our international payments position to an extent that could impede foreign economic policy remains as an ugly possibility.

After 1962, by which time the strong upward thrust originating in inventory reaccumulation should have substantially diminished, and at a time when the potential surplus has been disposed of in some manner, this administration must

look forward to 1963 and 1964. By then the induced recovery in consumption and plant and equipment outlays will have carried the economy substantially upward and leveled out so that the rate of growth in output may well slow down sharply. Should another slump then emerge, Democratic complaints about the "do-nothing" fiscal and monetary policy of the Eisenhower Administration in its latter years will have to be stilled. Unless vigorous action is taken, the conservative temper of the time could hypnotize this administration, as the restrictive influence of the preceding eight years is passively accepted. Should this be the case, the designation "third Eisenhower Administration" will have been proved a well-founded prediction.

The Growth Rate

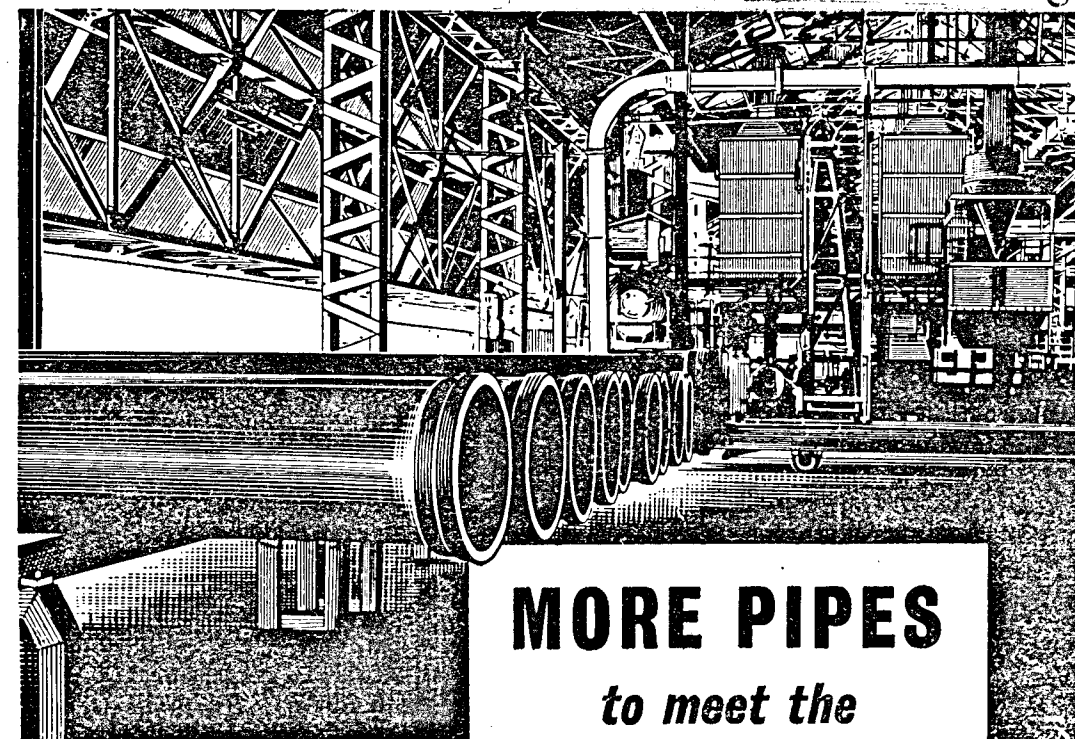
One major long-term economic objective which the Kennedy Administration has expressed is to step up the real rate of growth of output. In order to do so, the Administration has made mild proposals for tax relief to firms investing more than 50 per cent of their depreciation allowances. It now looks as if Congress might water down this proposal to a point where it does not provide well-directed growth incentives to business. If tax incentives are granted to business firms but tax loopholes which riddle our present tax structure are not closed, contrary to Administration desires, the revenue loss estimated at \$1.7 billion for the present fiscal year could hobble later legislation designed to expedite growth. The balanced budget fetish could limit later desirable measures in this way, if the implicit surplus is frittered away in half measures.

It is not obvious that much new legislation bearing directly on growth will be forthcoming. The fact remains, however, that the primary sources of economic growth—technical progress and capital accumulation—flourish best during periods of high and rapidly increasing output and employment. Hence, the principal reliance for accelerated growth will be placed upon the private economy, provided it is able to operate at high levels of capacity utilization attainable through the sensible use of fiscal and monetary policy.

Failure by Government and the private sector to generate the more rapid rate of growth that President Kennedy wistfully refers to, 4-1/2 per cent per year instead of the 3 per cent characteristic until the present, could have serious consequences in coming years. It could mean continued high levels of unemployment. It could mean a political swing to the right, well to the

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1. Consent of the Central Government has been obtained to this issue by an order of which a complete copy is open to public inspection at the Head Office of the Company. It must be distinctly understood that in giving this consent the Central Government do not take any responsibility for the financial soundness of any scheme or for the correctness of any of the statements made or opinions expressed with regard to them.
2. A Licence has been obtained from the Central Government for the establishment of this new industrial undertaking at Baroda, Gujerat, of which a copy is open to public inspection at the Head Office of the Company. It must be distinctly understood in granting this licence the Government of India do not take any responsibility for the financial soundness of this undertaking or for the correctness of any of the statements made or opinions expressed in regard to it.
3. A copy of the Prospectus together with the documents mentioned below has been delivered to the Registrar of Companies, Ahmedabad for registration as required by Section 60 of the Companies Act 1956.
4. Application will be made to the Bombay Stock Exchange for permission to deal in and for official quotations of the shares of the company.
5. The subscription list will open at the commencement of banking hours on 7th day of August 1961 and will close at the close of banking hours on 12th day of August 1961 or earlier at the discretion of the Directors but not before the close of banking hours on 9th day of August 1961.
6. Copies of the Prospectus and forms of application may be obtained from the Registered Office of the Company or from the Company's bankers or brokers.

Chemicoat Limited

(Incorporated under the Companies Act 1956 on 21st March 1961)

SHARE CAPITAL

AUTHORISED:

50,000 Equity shares of Rs.100/- each Rs. 50,00,000/-

ISSUED AND SUBSCRIBED:

By Directors and their friends:

10,000 Equity shares of Rs.100/- each Rs. 10,00,000/-

PRESENT ISSUE:

10,000 Equity shares of Rs.100/- each Rs. 10,00,000/-

Payable as follows—

With application Rs. 25 per share
On allotment Rs. 25 per share

Balance by two calls of Rs. 25 each.

First call shall not be made earlier than three months after allotment and there will be an interval of at least two months between the calls.

Application for and Allotment of shares:

Application for equity shares should be made on the printed form issued for the purpose, copies of which may be obtained from the registered office of the Company or from any office of the Bankers or the Managing Broker or Brokers.

Applications must be made for a minimum of five shares or a multiple thereof and in all cases must be accompanied by a remittance of the amount payable on application. Applications must be complete in accordance with the directions contained in the application form and delivered before the closing of the subscription list to any head offices or the branch offices of the Bankers at the following places—Bombay, Surat, Baroda, Ahmedabad, Rajkot, Calcutta, New Delhi, Delhi and Madras.

Remittances may be made by cheques or drafts and if it is desired to avoid payment of bank charges all cheques or drafts must be drawn either upon the branch offices of the bankers to which the application forms,

cheques and drafts are being sent or upon a bank situated in the same town. If drawn on a bank elsewhere, the appropriate bank charges must be included in the remittance. Otherwise the application is liable to be refused.

Directors reserve the uncontrolled right of accepting or rejecting any application without assigning any reason thereof. Applications which are not complete or which are not accompanied with proper payment may not be considered.

Where no allotment is made, the application moneys will be returned in full within two months of the closing of the subscription list. Where the number of shares allotted is less than the number applied for, the balance of the application moneys will be returned within the aforesaid time to the applicant by cheques either through post or otherwise after deducting therefrom the amount payable on application and allotment as above.

The shares when issued, will be subject to the memorandum and Articles of Association of the Company a copy of which is open for inspection at the registered office of the Company during office hours.

The Share certificates will be ready for delivery within four months of the date of allotment.

BOARD OF DIRECTORS

Name	Description & occupation	Address
1. Shri Arvind Nandal Kilachand (Chairman)	Businessman	Mafatlal House, Backbay reclamation, Bombay 1.
2. Shri Bhupatirai Maganlal Ghia	Businessman	18, Carmichael Road, Bombay 26.

Name	Description & occupation	Address
3. Shri Balkrishna Hari-vallabhdas	Businessman	13, Krishna Society, Ellis Bridge, Ahmedabad.
4. Shri Kishore Dharamsey Khatau	Businessman	6, Wilderness Road, Malabar Hill, Bombay
5. Shri Himatlal Kantilal	Businessman	Kantilal House, 14, New Queen's Road, Bombay 4
6. Shri Suman Chhotalal Sheth	Businessman	Dawood Mahal, Cumballa Hill, Bombay 26.
7. Shri Mokshamadan Chhotalal Chhatrapati (Managing Director)	Businessman	6, Noble Chambers, Parsi Bazar Street, Bombay 1.

MANAGING DIRECTOR

Mr. Mokshamadan Chhotalal Chhatrapati
6, Noble Chambers, Parsi Bazar Street, Bombay 1.

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Bank of Baroda Ltd., Baroda and Bombay
United Commercial Bank Ltd., Baroda and Bombay

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51, Mahatma Gandhi Road, Fort, Bombay 1.	22, Apollo Street, Fort, Bombay 1.

REGISTERED OFFICE

Jetalpur Road, Baroda

1 OBJECTS OF THE COMPANY

The Company is incorporated on 21st March, 1961 with the objects mentioned in the Memorandum of Association. The main objects of the Company are—
To carry on business of vacuum metalising of paper, plastics, yarns, fibres, films, fabrics, packing materials, decorative materials, radio, telephone, television and other electronic component parts and materials.

To carry on business of manufacturers, importers, exporters, dealers in paper, plastic films, natural and synthetic yarns, fibres and films, publicity, decorations of all kinds and other materials coated with metals, chemicals and other substances.

2. COMMENCEMENT OF BUSINESS

The Company has obtained on 27th April 1961 certificate of commencement of business by filing statement in lieu of prospectus under section 149(2) of the Companies Act, 1956.

3. PROSPECTS

Vacuum metalising is a recently developed process. It helps to deposit lustrous coating of pure metals on paper, plastic, films, fabrics, etc. Both functional and decorative finishing can be obtained inexpensively by a simple method providing automatic production of large quantities. Aluminium is most naturally used and when deposited by vacuum metalising process it gives the same colour as polished platinum, radium or chromium. It can be lacquered and dyed to simulate any metallic colour. Aluminium foils or aluminium foils laminated on paper are used extensively in the packing of tea, cigarettes, biscuits, confectionery and label manufacturing. The present production of aluminium foils in India is estimated at about 3,200 tons. Some quantities are also imported. The import of aluminium foils and foil stock was valued at Rs. 47 lakhs in 1957 and Rs. 65.59 lakhs in 1959. According to the estimates submitted to the Tariff Commission recently in connection with the inquiry on protection to the aluminium industry the demand for foils etc. is expected to increase to 7000/10,000 tons by 1965/66.

The metalised paper produced by the vacuum metalising technique can effectively replace aluminium foil and aluminium foil laminated paper in the packing and labelling fields. As the metal used for metalising is only a small fraction of the metal required for manufacturing the foil, there is considerable saving of the expensive aluminium metal. The consumers will therefore have an alternative source of supply at very economical prices. In America and Europe metalised paper has considerably replaced foils in packing cigarettes, food products etc.

The same technique can be used in the production of "self-healing" type of condenser papers extensively used in radio, television and other electronic industries.

Various plastic films can be coated with aluminium gold or silver. These films have very wide application in various plastic industries. In West Germany, metalised non-woven fabrics are used for wound dressing on a large scale.

Aluminium, paper and plastic films required for metalising are available in India. The lacquers are also available in India.

The Company is expected to go in production in 1962, and it is estimated that the annual production of metalised paper will be about 1500 tons. It is reasonable to assume that the developing market in India will be able to absorb the full output of the Company's plant.

On the basis of the existing prices of aluminium foils, paper, etc. the Directors are of the opinion that in the circumstances the estimated profits after allocation to reserve are such, that the Company should be in a position to pay reasonable dividends on the issued equity shares.

4. TECHNICAL COLLABORATOR'S AGREEMENT

The Company has entered into an agreement with Metal Coating Establishment, Vaduz, Liechtenstein, whereby the latter company will supply to the company necessary machineries and spare parts, train Indian personnel in their plant in Germany and supply technical personnel for guidance in the erection and starting of the plant. Further subject to the approval of the Government of India, it will provide technical know-how for the production of new products as and when developed and otherwise supply all information for a period of 3 years. The Company has agreed to pay technical fees of Deutsche Marks twentyfive thousand a year (about Rupees thirty thousand).

5. LOCATION OF THE FACTORY AND WATER SUPPLY AND ELECTRICITY

The Factory will be constructed on 24 acres and 35 gunthas of lands agreed to be purchased by the Company at Baroda at or for the price of Rs. 2,00,000. No water or steam will be required in the process of manufacturing vacuum metalised paper. The requirements of electricity are small and no difficulties are envisaged in arranging for its supply either from public supply or by installation of Company's own generation facilities.

6. TAX BENEFITS

The Company will be entitled to the special benefits under the Indian Income Tax Act with respect to Development Rebate. The Company will also enjoy the benefit of section 15 C of the Indian Income-tax Act, whereby the profits upto 6% on the employed capital will be exempt from tax for the first five years of operation.

7. LOAN CAPITAL

The Industrial Credit and Investment Corporation of India Ltd., Bombay have agreed in principle to grant a loan in foreign currencies equivalent to U.S. \$275,000 as determined by the International Bank for Reconstruction and Development for the import of machinery required for the project. The loan will bear an interest at the rate of 7¼% per annum repayable in 15 half yearly instalments commencing from 1st November, 1963 and ending on 1st November 1970. The loan will be secured by a first legal mortgage in favour of ICICI of the Company's immovable and movable properties, present and future, subject to the hypothecation in favour of the company's bankers for cash credit and overdraft facilities.

So long as the loan or any part thereof is outstanding ICICI shall be entitled to appoint a Director on the Board of Directors of the Company who shall not be liable to retire by rotation nor shall be required to hold qualification shares.

8. RESOURCES AND DISBURSEMENT

The total funds available with the Company will be as follows:—

Share Capital subscribed by Directors, Promoters, their Friends and Associates ..	Rs. 10,00,000
Capital to be raised by this issue ..	Rs. 10,00,000
Foreign Exchange: Loan to be obtained from Industrial Credit & Investment Corporation of India Ltd. ..	Rs. 13,00,000
	Rs. 33,00,000

(Industrial Credit & Investment Corporation have agreed in principle to grant this loan to the Company).

This amount of Rs. 33,00,000 will be utilised approximately as under:—

1. Cost of land and the structures to be constructed thereon etc. ..	Rs. 3,50,000
2. Cost of plant and machinery, import duty, transport to site, erection and other implementative expenses ..	Rs. 18,00,000
3. Working capital ..	Rs. 8,00,000
4. Preliminary expenses including brokerage and other share issue expenses ..	Rs. 1,00,000
5. Pre-operative expenses including training of Indian technicians in foreign countries and for other contingencies. ..	Rs. 1,50,000
Total	Rs. 32,00,000

Additional finance if any, required for working capital when the factory goes into production, will be obtained by way of loans from the bank and other sources.

9. MINIMUM SUBSCRIPTION

The minimum amount which in the opinion of the directors must be raised by the issue of shares in order to provide the sum required to be provided as per paragraph 5 of the Schedule II of the Companies Act 1956 upon which the Directors will proceed to allot the shares offered by this prospectus is 10,000 equity shares of Rs. 100/- each.

10. POWERS OF DIRECTORS

The control of the Company's affairs is vested in the directors. The powers of the directors are, however, to be exercised subject to any regulations prescribed by the Company in General Meeting.

11. RESTRICTION ON TRANSFER OF SHARES

Subject to the provisions of section 111 of the Companies Act 1956 the Directors may in their absolute and uncontrolled discretion and without assigning any reason, decline to register any transfer of or transmission by operation of law of the right to any shares of the Company to any person whom they do not approve and in particular may decline so in any case in which the Company has a lien upon the shares.

12. LIEN

The Company shall have no lien on its fully paid up shares. In the case of partly paid up shares, the Company shall have a first and paramount lien thereon only in respect of all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares and such lien shall extend to all dividends from time to time declared and payable in respect of such shares. Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the Company's lien on any such shares.

13. BROKERAGE

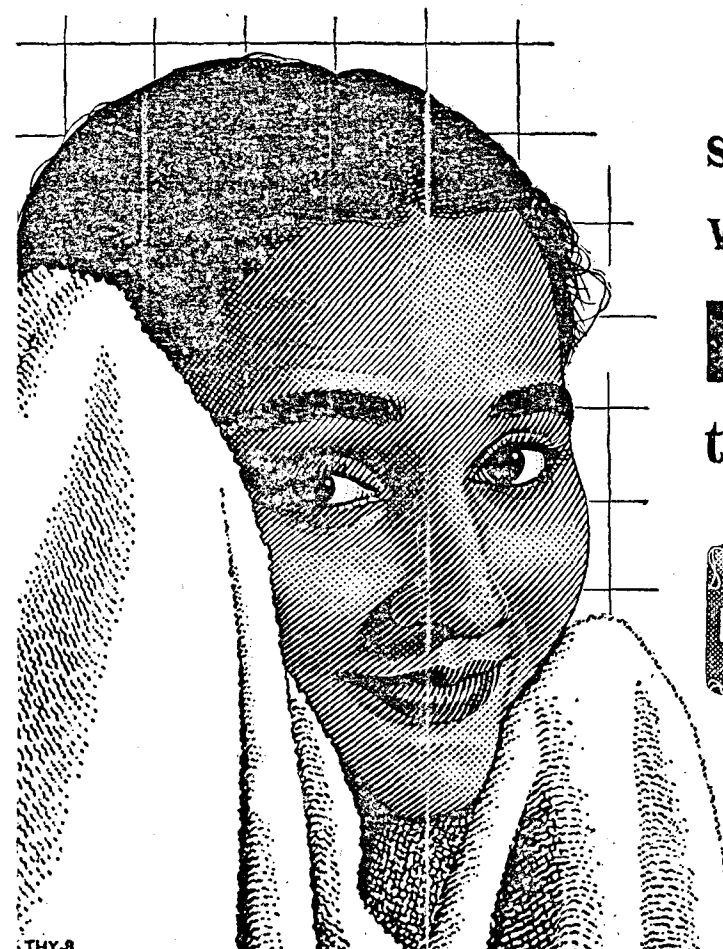
The Company will pay brokerage at the rate of 1% on allotments made in respect of applications from the public and bearing stamps of recognised banks, certified brokers, or managing brokers.

The Managing Brokers Messrs. Rasiklal Maneklal & Co. will be paid commission at the rate ½% on 10000 shares offered for public subscription.

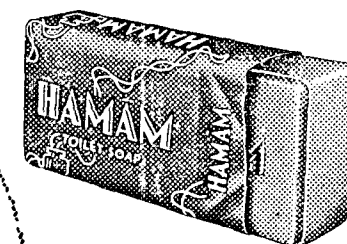
INSPECTION OF CONTRACTS AND OTHER DOCUMENTS

Copies of the undermentioned documents have been delivered along with the Prospectus to the Registrar of Companies, Ahmedabad, which may be inspected at the registered office of the Company during the usual business hours until the subscription list has been closed.

- Consent Order No. R 420-CCI/60-321 dated 16th March, 1961 by the Controller of Capital Issues, Government of India, New Delhi.
- Industrial License No. L/24/(4)(6)/60-CH(1) dated 9th September 1960 approving the proposal for establishing a vacuum metalising plant.
- Copy of the draft agreement, to be entered into between Mr. M. C. Chhatrapati and the Company for his appointment as Managing Director.
- Agreement for Collaboration dated the 18th day of February 1961 between the promoters and Metal Coating Establishment.
- Copy of the Memorandum of Association and a copy of the Articles of Association of the Company.
- Letters of consent from the Bankers, Solicitors, Auditors and Brokers of the Company.
- Heads of Agreement entered into with I.C.I.C.I. Ltd., on 24th March 1961.



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Around Bombay Markets

Secondary Correction Nearing End

DALAL STREET is still unsettled.

The reactionary trend has been in progress since about the beginning of June. There is no clear indication yet that the reactionary trend has spent all its force. But one could expect the market to take a turn any time because it has already retraced nearly half of the ground gained since the beginning of the year and it is also back again very close to its April bottom. Vyapar's equity share index which had risen from 127.19 on 7th January to 150.83 on 7th June declined to a low of 140.29 on 26th July. The January low was the lowest point reached by the index after its 1960 high of 150.39.

Apart from the fact that the market as a whole has lost nearly 48 per cent of the rise from the January low level, the nature of selling over the past week or so suggests that the market is not only well-liquidated but it is now in an over-sold position. Equities have continued to decline despite fairly encouraging corporate news which is a common phenomenon in a secondary correction. The encouraging corporate news only underlines the basic upward trend in equities.

Besides technical considerations, sentiment on the stock exchange has been considerably influenced over the past few weeks by reports of havoc caused by floods in some parts of the country, renewed anxiety about the Kashmir situation and above all by various rumours that

the Government is considering measures to enforce a stricter code of conduct on the stock exchange community. The sooner the uncertainty, about what the authorities intend to do with the market, is ended the better. Rumours about possible official action encourage unhealthy speculation which the authorities wish to check. The stock market has not been much perturbed by the sharp increase in the British Bank Rate from 5 per cent to 7 per cent. Most observers are inclined to regard it as a temporary expedient. Of course if the higher Bank Rate were to last for long it would certainly raise the cost of foreign assistance whether through loans or collaboration in private enterprises.

Cotton

Prestige Issue ?

FOR long have the representatives of the cotton trade been pleading for a further export quota of cotton stapling 3/4 inch and below and Bengal Deshi, particularly the Deshi variety. The trade contends that even after allowing for a normal carryover there exists a substantial exportable surplus, varying-ly estimated between 50,000 bales and 75,000 bales. But the Government has still to make up its mind on the export quota. The export of Bengal Deshi seems to have become a prestige issue with the Government. How else to explain the official attitude? It is reasonable to think that the trade has a better idea than the Government of the demand and supply position of a commodity. That, at time, it may misguide the Government in order to gain selfish ends in another matter. But the East India Cotton Association, Bombay Cotton Merchants' and Muccadums' Association and the Cotton Buyers' Association would be risking their reputation if they placed cooked up figures before the Government to support their demand for a further export quota. And even if the trade's estimates about the supply position proved to be on the high side the Government would not be running any serious risk in allowing the further export of Bengal Deshi because

Thursday, Morning

the outlook for the new crop appears to be quite promising and Bengal Deshi forms only about 2 per cent of the total mill consumption of indigenous cotton. It would be really unfortunate if merely prestige considerations were allowed to stand in the way of permitting further export of Deshi because of the pressing need to maximise country's foreign exchange earnings.

Good Carryover

The current cotton season, which has only a month more to go, is likely to end with a carryover of about 22 lakh bales of 400 lbs each against 13.93 lakh bales at the end of last season. The carryover of Indian cotton is placed around 18 lakh bales as against 9.80 lakh bales. The carryover might be still larger if the latest estimates about the 1960-61 crop at 53.75 lakh bales come true and the Government does not permit any further export of cotton. Weather reports from almost all the producing areas have been quite encouraging so far. Reports from the Punjab indicate that if the weather continues to oblige the new crop will be much better than in 1960-61. The outlook for Bengal Deshi is thought to be particularly encouraging because of the 10 per cent increase in acreage under Deshi. Notwithstanding satisfactory weather reports, it is very premature to talk about the prospects for the 1961-62 crop. One has to wait until about the end of October to have a fairly reliable idea of the crop.

Consumption

Mill consumption of indigenous cotton in May amounted to 3.61 lakh bales as against 3.63 lakh bales in April and 3.69 lakh bales in March. The May figure brings the total for the first 9 months of the current season to 30.78 lakh bales against 33.96 lakh bales in the corresponding period last season. The May figure for foreign cotton is placed at 0.83 lakh bales compared to 0.82 lakh bales in each of the preceding two months. Consumption of foreign cotton in the September-May period totals 8.66 lakh bales as against 4.27 lakh bales in the cor-

THE ECONOMIC WEEKLY

responding period last season. Stocks of Indian cotton held by mills at the end of May amounted to 15.23 lakh bales compared to 10.41 lakh bales at the end of May 1960. These stocks represent 5-1/2 to 6 months' consumption by mills. The stocks are said to have recorded a further big rise because of the compulsory purchases by the mills in June in order to help tide over the crisis of accumulation of stocks with the cooperative societies in Gujarat.

Large stocks with mills, a substantially bigger carryover at the end of the season and satisfactory weather reports from nearly all the producing areas have imparted an easier tendency in the market. Spot prices have suffered a noticeable setback over the past few weeks due to reduced spinner inquiry. The new crop hedge contract—March delivery—which started at Rs. 604 on 14th July touched a low of Rs 588.25 on 25th July. It rallied to Rs. 592.75 the next day on short covering induced by the smart rally in the nearby August contract from Rs 570.50 to Rs 580.75. Buying in the maturing contract was caused partly by nature of the tendering differentials and partly by hopes of export quotas for Bengal Deshi and cotton stapling 3/4 inch. In view of the comfortable supply position, few observers are inclined to expect any big rise in prices unless the weather turns unfavourable.

Oilseeds

Castor Decline

WHILE linseed and cottonseed have continued to hold fairly steady, groundnut and castorseed have been showing an easier tendency for some weeks. The weakness has been more pronounced in castor which is not the least surprising because of the disappointing performance on the export front. Easier tendency in groundnuts is attributable to the satisfactory weather reports from almost all the producing areas. Since July 7 when trading started in the new crop contracts, castor March 1962 have declined from Rs 178.87 to 170 and groundnut January from Rs 225 (per 250 kilos) to Rs 219. The latest quotations on July 26 are a little better around Rs 170.62 and Rs 221.75 respectively. During the same period linseed March have fluctuated irregularly between Rs 38.37 (per 50 kilos) and Rs 37.56 and cottonseed

January between Rs 93.75 and Rs 92 (per 250 kilos). Wednesday closing rates are Rs 38.31 for linseed and Rs 92.75 for cottonseed.

With the export outlook for castor oil far from encouraging, prospects of any marked and sustained recovery in castor are generally discounted. How far castorseed prices might decline is difficult to say because that does not depend merely on export prospects but also on the

price trend in other oilseeds. The trend in groundnut is likely to be moulded mainly by the weather. Though groundnut prices are standing at a very high level, the decline in prices is likely to be gradual even if the weather continues to be ideal throughout the season because of the huge premium that the spot material commands over the new crop hedge contract. Good quality groundnut ready are quoted around Rs 275

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Company Notes

INDIA REINSURANCE

THE India Reinsurance Corporation wrote a gross premium of Rs 3.80 crores and a net premium of Rs 1.90 crores in 1960. The figures would have been appreciably higher but for the earlier closing of accounts necessitated by the amended Companies Act. According to the chairman, Shri A. D. Shroff, general insurance business in India in 1960 was as favourable as in the previous year, inspite of the loss of Rs 115 lakhs due to the sinking of the Indian Navigator which represented the largest single marine loss experienced by the Indian market. The hull portfolio of insurance companies has, thus, acquired a fair balance and stability and can absorb the impact of an isolated major loss. There has been some improvement in the overall Miscellaneous business and the adverse trend in the experience of motor business appears to have been arrested, at least for the time being, as a result of the increase in rates effected since 1959. The experience in burglary, cash-in-transit, solvency and personal accident business was also satisfactory. The Corporation has written a fair volume of premium business in guarantees for hire purchase transactions in motor vehicles, but there has not been a single claim in connection with these guarantees.

LARSEN & TOUBRO

THE Powai workshops of Larsen and Toubro gave a satisfactory performance during the year ended March 31, and turned out an increasing volume of high quality engineering goods complementary to the company's imports from overseas suppliers. The production of equipment for dairies, refrigeration, food processing and chemical plants was further developed. The manufacturing units for electric switchgear, motor starters and petrol pumps went into regular production and are operating satisfactorily. In September last, the company obtained a loan of Rs 20 lakhs from the Refinance Corporation through the Chartered Bank for financing the manufacture of electric switchgear and petrol pumps. Negotiations were completed during the year for the production of equipment for sulphuric acid and

equipment and diamond bits, lubricated taper plug valves, all in collaboration with leading overseas manufacturers of such equipment. The division set up to handle the erection of factory structures, machinery and equipment also worked satisfactorily.

The company earned Rs 364 lakhs from sales and commission during the year, and made a net profit after tax of Rs 23 lakhs, which represents more than 6 per cent on sales, 17 per cent on net worth and Rs 2.75 per equity share of Rs 10 each. Dividend is Rs 1.80 which, together with preference dividend, absorbs Rs 15 lakhs. Gross fixed assets have expanded by Rs 44 lakhs.

The four subsidiaries, Alu Capsules, India Crown Cork, Engineering Construction and Viking Transport, have also made good progress. Steps have been taken to augment the production of capsules and capsuling machines. Engineering Construction has completed the contracts for Nangal Fertilisers and the Naval Dockyard at Bombay, and has secured fresh contracts for the designing and construction of cement and other factories, prefabricated sheds, etc. of the approximate value of Rs 70 lakhs. Considerable improvement in the supply of tinplate has enabled India Crown Cork to keep its factory fully employed; research carried out at the factory in the formulation of lacquers and varnishes has resulted in an improvement of the quality of crown corks produced.

Larsen and Toubro has also acquired at par 3,12,500 shares of Rs 10 each in Utkal Machinery, and 2,550 shares of Rs 100 each in Christensen-Longyear India.

TRAVANCORE RAYON

THE production of both plain and moisture-proof cellulose film in Travancore Rayon was according to anticipation in 1960. With the commissioning of a third machine in October last, cellulose film capacity has gone up to 10 tons per day. The production of rayon, however, fell somewhat short of capacity due to certain difficulties in production and delays in obtaining spare parts. The sulphuric acid plant put up more than a year ago has enabled the company to become self-suffi-

cient in its requirements of sulphuric acid and also have a small surplus for sale.

A cotton linter plant is scheduled to go into production during the latter part of 1962. It will produce about 10 tons of linter pulp per day, which may be increased to 20 tons. This project will save a considerable amount of foreign exchange, and will also give better quality yarn and film. Government has given a licence for the installation of 6 more Butterworth rayon spinning machines, which will cost Rs 35 lakhs. The Industrial Finance Corporation has been approached for securing the necessary foreign exchange. Government has also approved expansion of rayon capacity by 5 tons per day, which is expected to come into operation only towards the end of 1962 or beginning of 1963.

Sales in 1960 amounted to Rs 353 lakhs, on which the company made a net profit after tax of Rs 50 lakhs.

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The latter represents 14 per cent on sales, 20 per cent on net worth and Rs 4.70 per equity share. Dividend has been maintained at Rs 2.00. Out of the net profit, Rs 23 lakhs has been distributed and Rs 27 lakhs retained.

PUNJAB NATIONAL BANK

THE working of the Punjab National Bank for the half-year ended June 30, 1961 shows satisfactory progress. Subject to audit, the net profit of the bank for the period, after providing a sum of Rs 5.90 lakhs for payment to the Gratuity Fund Trust and making necessary provisions, amounts to Rs 75.96 lakhs against 45.37 lakhs for the corresponding half-year in 1960. Adding a sum of Rs 4.23 lakhs brought in to the net profit the amount available for appropriation works out at Rs 80.19 lakhs.

The Directors have decided to pay an ad-interim dividend for the current year at the rate of Re 1 gross per share amounting to Rs 12.50 lakhs, leaving a balance of Rs 67.69 lakhs to be carried forward to the next half-year's account.

CAMPHOR AND ALLIED PRODUCTS LIMITED

CAMPHOR is a basic raw material for chemical and pharmaceutical industries. Though the demand for camphor has been steadily growing in recent years and is at present estimated at over 1,000 tons per annum, indigenous production will begin in the country only by the end of 1962 when synthetic camphor will be manufactured at a plant near Bareilly in U. P. A licence for this purpose has been issued by the Government and a new company, Camphor and Allied Products Limited, is being floated with an authorised capital of Rs 1 crore.

The new company has made technical collaboration arrangements with the well known American firm of Du Pont who are one of the leading manufacturers of chemicals in the world. The terms of collaboration have been approved by the Government and involve an initial payment of \$ 25,000 with a royalty for a period of eight years at the rate of 1.4 cents per pound of camphor.

This is the first project of its kind in India and, when in full production, its products will meet a major part of the international demand for camphor which is now met entirely from imports.

The overall capital outlay of the project is estimated at Rs 1,30,00,000 which is expected to be raised as follows: Rs 60 lakhs as paid-up capital, Rs 48 lakhs as long-term loans and Rs 22 lakhs as deposits and customary loans on raw materials from the Banks.

The new company will go into the market sometime around the middle of next month with a capital issue of Rs 60 lakhs made up of 50,000 equity shares of Rs 100 each and 10,000 cumulative redeemable preference shares of Rs 100 each. The Preference shares will carry a dividend of 9.23 per cent per annum subject to tax.

The company has also received sanction for a loan of Rs. 18 lakhs from the I F C and negotiations are in progress for another loan of Rs 30 lakhs from the I C I C L.

The Directors of the company Shri C. C. Desai, who is Chairman, Shri N. K. Petigra, Shri Rohit C. Mehta, Shri Kasturbhai Lalbhai, Dr G. Etzel, one of the seniormost chemical engineers at Du Pont Shri Chinubhai C. Dalal, Shri Damu Jhaveri and Shri Jayant Dalal. The last-named three Directors are promoters of the new Company whose Managing Agents will be Messrs Dalal & Jhaveri Private Limited.

American Economic Association

Evanston, Illinois

AMERICAN ECONOMIC REVIEW

Volume LI

June 1961

Number 3

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CURRENT STATISTICS

BANKING RETURNS (Rs crores)					EXPENDITURE ON SOCIAL SECURITY (Percentages of National Income)			
Reserve Bank	July 21	July 14	June 23	July 22 '60	Country	1948-49	1952-53	1956-57
1 Note circulation	1911.95	1937.98	1945.75	1815.38	Australia	7.6	8.3	9.1
2 Rupee coin	122.18	120.08	119.47	129.38	Austria	14.1*	19.0†	17.6†
3 Deposits	300.39	270.49	305.55	326.69	Belgium	13.8*	16.2	16.3
(a) Central Govt	53.02	49.83	82.05	52.45	Canada	7.3	8.2	8.7
(b) Other Govts	31.35	13.37	14.63	31.08	Ceylon	2.8†	3.3	4.2
(c) Banks	103.46	96.08	80.37	113.86	Chile	7.6†	—	9.7
(d) Others	112.56	111.22	128.49	129.30	China	0.2†	0.2	0.8
4 Foreign securities	93.01	93.01	108.01	143.01	Denmark	9.3	10.8	12.0
5 Balance abroad	8.47	9.89	12.65	17.29	Finland	9.2*	10.9	12.0
6 Rupee securities	1597.05	1626.98	1641.91	1451.57	France	14.7*	17.6	18.9
7 Investments	248.88	213.45	223.09	259.32	Germany	18.5*	19.4	20.8
8 Loans and advances to Govts	40.65	41.73	77.43	29.55	Guatemala	—	3.0	3.1
9 Other loans and advances	113.60	117.52	115.71	116.20	Iceland	7.3*	8.2	7.9
Scheduled Banks	July 14	July 7	June 16	July 15 '60	India	—	—	1.0
1 Aggregate liabilities	1859.81	1853.29	1834.09	1951.07	Ireland	7.5	9.2	11.5
2 Aggregate deposits (net)	1783.46	1776.18	1758.25	764.16*	Israel	—	5.9	7.7
(a) Demand (net)	720.08	721.46	703.84	764.16*	Italy	10.2*	13.4	15.2
(b) Time (net)	1063.38	1054.72	1054.41	1186.91†	Japan	—	4.8	5.9
3 Cash in hand	47.04	49.43	47.14	51.88	Luxembourg	10.2*	16.0	17.0
4 Balance with Reserve Bank	90.86	86.72	81.64	120.22	Netherlands	9.6*	10.3	12.3
5 (3)+(4) as % of (1)	7.41	7.35	7.02	8.82	New Zealand	15.0	13.2	13.0
6 Borrowings from Reserve Bank	4.85	9.45	19.82	45.38	Norway	6.9	8.8	10.1
(a) Against usance bills and/or promissory notes	3.42	6.54	13.78	12.42	Poland	—	—	7.7
(b) Others	1.43	2.91	6.04	33.16	Portugal	—	5.1	6.5
7 Advances	1102.19	1105.50	1096.32	988.92	Sweden	10.2*	10.8	12.9
(a) State Bank	245.58	247.07	252.62	203.67	Switzerland	6.3*	7.3	8.7
(b) Others	956.61	858.43	843.70	785.25	Tunisia	—	5.5	5.7
8 Bills discounted	113.51	119.32	136.34	90.80	Turkey	1.9*	1.1	1.3
(a) Inland	42.89	43.12	44.85	43.88	South Africa	3.9	4.5	4.5
(b) Foreign	156.40	162.44	181.19	134.68	United Kingdom	—	12.5	11.9
(c) Total	14.09	14.42	14.53	12.35	United States	5.2	4.7	6.0
(i) State Bank	142.31	148.02	166.66	122.33	Yugoslavia	—	11.2	10.3
(ii) Others	67.67	68.42	69.65	57.59	* Figures relate to the years 1949, 1953, 1957 respectively.			
9 (7)+(8c) as % of (1)	551.06	547.55	528.91	731.08	† Figures relate to the years 1950, 1953, 1957 respectively.			
10 Investment in Govt securities	29.63	29.54	28.84	37.47	Source: International Labour Office, Geneva.			
11 (10) as % of (1)	204.50	209.54	146.13	146.13				
Cheque clearance	* 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 cent per annum)

(Selected Scheduled Banks other than the State Bank)				
Call money	July 14	July 7	June 16	July 15 '60
from banks	3.79	4.24	4.37	3.52
Deposits:				
Seven days	—	3.00	3.00	3.35
Three months	—	3.50	—	3.50
Six months	3.75	3.75	3.75	3.50

Bombay Bullion

(Rs and nP)

Gold (per 10 grammes)	July 27	July 20	June 29	July 28 '60
Spot	120.45	119.40	121.50	129.78
Forward	120.25	119.35	119.45	129.15
Silver (per kilogram)				
Spot	201.00	200.00	201.00	220.75
Forward	200.00	200.00	202.25	219.25

EXPENDITURE ON SOCIAL SECURITY (Percentages of National Income)				
Country	1948-49	1952-53	1956-57	
Australia	7.6	8.3	9.1	
Austria	14.1*	19.0†	17.6†	
Belgium	13.8*	16.2	16.3	
Canada	7.3	8.2	8.7	
Ceylon	2.8†	3.3	4.2	
Chile	7.6†	—	9.7	
China	0.2†	0.2	0.8	
Denmark	9.3	10.8	12.0	
Finland	9.2*	10.9	12.0	
France	14.7*	17.6	18.9	
Germany	18.5*	19.4	20.8	
Guatemala	—	3.0	3.1	
Iceland	7.3*	8.2	7.9	
India	—	—	1.0	
Ireland	7.5	9.2	11.5	
Israel	—	5.9	7.7	
Italy	10.2*	13.4	15.2	
Japan	—	4.8	5.9	
Luxembourg	10.2*	16.0	17.0	
Netherlands	9.6*	10.3	12.3	
New Zealand	15.0	13.2	13.0	
Norway	6.9	8.8	10.1	
Poland	—	—	7.7	
Portugal	—	5.1	6.5	
Sweden	10.2*	10.8	12.9	
Switzerland	6.3*	7.3	8.7	
Tunisia	—	5.5	5.7	
Turkey	1.9*	1.1	1.3	
South Africa	3.9	4.5	4.5	
United Kingdom	—	12.5	11.9	
United States	5.2	4.7	6.0	
Yugoslavia	—	11.2	10.3	

* Figures relate to the years 1949, 1953, 1957 respectively.

† Figures relate to the years 1950, 1953, 1957 respectively.

Source: International Labour Office, Geneva.

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Week Ended

	17-6-61	10-6-61	20-5-61	18-6-60
Food Articles	119.7	118.7	116.2	119.9
Cereals	102.7	101.2	99.7	107.3
Pulses	89.2	90.9	87.5	89.3
Fruits & Vegetables	126.0	125.2	124.7	121.3
Milk & Ghee	113.0	112.9	109.5	116.6
Edible oils	164.2	162.9	158.9	140.6
Fish, Eggs & Meat	126.5	127.7	124.8	121.4
Sugar & Gur	126.5	122.1	120.1	138.0
Others	168.4	167.9	164.9	161.8
Liquor & Tobacco	99.5	100.3	98.9	108.5
Tobacco	96.0	96.8	95.3	106.9
Fuel, Power, Light & Lubricants	122.9	122.8	122.8	119.1
Industrial Raw Materials	148.1	147.1	153.2	139.1
Fibres	146.9	148.6	166.0	139.9
Oilseeds	163.0	158.6	156.6	145.7
Minerals	95.2	95.2	95.5	98.2
Others	125.7	125.9	126.2	127.7
Manufactures	125.2	124.3	126.1	120.4
Intermediate Products	141.0	139.3	136.7	127.0
Finished Products	122.6	121.9	124.3	119.3
Textiles	124.0	122.9	127.3	120.9
Cotton	126.3	126.1	126.5	126.3
Jute	122.7	118.9	136.3	116.4
Woollen	110.1	110.1	110.1	110.1
Silk & Rayon	116.5	116.5	114.9	102.7
Metal Products	146.9	146.9	146.9	148.3
Chemicals	108.7	108.7	107.1	104.4
Oil cakes	143.7	142.3	141.8	131.4
Machinery & Transport Equipment	112.7	112.7	112.8	111.2
Others	118.9	118.7	118.6	114.7
All Commodities	125.4	124.5	124.7	122.8

PRODUCTION OF IRON AND STEEL

('000 Metric Tons)

	Pig Iron		Semi-Finished Steel		Finished Steel	
	Total	For Sale				
	Mar '61	Apr '61	Mar '61	Apr '61	Mar '61	Apr '61
Tata	141.72	135.65	7.19	1.30	49.81	51.20
Indian Iron	106.12	99.38	26.06	30.10	25.56	10.90
Mysore Iron	5.02	4.91	2.11	1.00	—	2.97
Rourkela	28.08	38.10	12.88	11.88	2.12	14.00
Bhilai	77.77	75.70	34.84	32.06	28.49	6.50
Durgapur	62.09	62.40	32.40	26.70	25.21	24.55
Kalinga Industries	2.91	2.90	2.91	2.90	—	—
Billet Re-Rollers	—	—	—	—	—	87.64
Scrap Re-Rollers	—	—	—	—	—	11.21
Total	423.71	419.04	116.39	105.94	131.19	107.15

Note: The figures of March are final and the figures of April are provisional.

Source: Ministry of Steel, Mines & Fuel, Department of Iron & Steel, Government of India.

INDUSTRIAL PATTERN OF NEW COMPANIES

(1956-57 to 1960-61)

(Capital in lakhs of Rupees)

Industrial classification	1956-57		1957-58		1958-59		1959-60		1960-61	
	No	Authorised capital	No	Authorised capital	No	Authorised capital	No	Authorised capital	No	Authorised capital
Agriculture and allied activities	28	2,24	39	1,01	33	84	40	2,87	37	3,20
Mining and quarrying	31	78,78	17	1,94	22	71,59	21	6,10	21	11,22
Processing and manufacture food-stuffs etc	75	23,79	76	17,26	90	15,34	88	22,71	91	20,75
Processing and manufacture metals & chemicals	162	43,94	250	26,74	295	109,84	373	63,83	544	149,73
Processing and manufacture—others	93	20,47	101	24,89	117	42,51	153	32,56	182	56,55
Construction and utilities	17	3,99	37	1,30	26	1,21	30	2,13	37	7,06
Commerce (trade & finance)	292	23,56	281	17,15	302	37,39	367	16,80	424	21,63
Transport, communications and storage	66	11,34	70	10,21	104	2,97	283	5,36	277	13,25
Community & business services	23	91	23	42	30	1,14	27	5,52	28	1,96
Personal and other Services	61	1,63	67	1,79	76	1,53	70	2,66	42	1,70
TOTAL	848	2,10,65	961	1,02,71	10,93	2,84,36	14,52	1,60,54	1,683	287,05

Source: Research and Statistics Division, Department of Company Law Administration, Government of India, New Delhi.

Shri Puri himself described this excess carryover of 6.5 lakh tons as an exportable surplus but the very fact that this figure was arrived at after allowing for total possible exports of 3.5 lakh tons "at the outside" during the current year shows how hopeless it is to think that this surplus is exportable. Increasing sugar exports during the next few years through a possible increase in the U S sugar quota, about the prospects of which Shri Patil is so optimistic, provide no solution to this problem because the increased exports, when they materialise, will be taken care of by the output of the industry during those years. In any case, in spite of Shri Patil's optimism, export prospects for sugar are pretty dim given the relative price situation of which everyone is aware. Shri Puri draws attention to relative cost differences; the causes of these differences are well known. Dealing with the problem of high costs, does not seem to be a priority item on

the agenda and in any case it is not likely to be tractable in the short run.

The overall carryover of 11.5 lakh tons at the beginning of the next crushing season is, according to Shri Puri, "a burden too big to be carried by the industry and is beyond its maximum financial and storage resources." Suspicious of the way in which the sugar industry has functioned in the past, the public may not be much concerned at Shri Puri's statement that the survival of the industry will be in serious jeopardy unless a sizeable portion of this carryover finds an outlet and that too quickly. It cannot afford, however, to refuse to pay attention to his warning that "the industry may be forced to curtail production in the next season." Shri Puri has warned that unless a sizeable quantity of the surplus stocks is lifted from the factories, they may not be ready to start crushing in time when the next busy season commences

three months from now, even though there are indications that there will be a bumper cane crop. The implications of a possible cutback in production on the sugarcane farmers and on workers employed in sugar factories have to be considered.

It is in this context that Shri Patil has to consider the problems facing the sugar industry today. He cannot afford to dismiss the industry's case in such a cavalier fashion, though possibly he may find remedies other than those suggested by Shri Puri more appropriate to the problems the industry faces. Both for the present problems of the industry, which arise from its excessive carryover stocks, and for the problems of the industry over the next five years, which arise from trends in production and consumption, solutions will have to be found after mature consideration. It is Shri Patil's duty to give these problems the care and attention they deserve.

India, Pakistan and the US

RECENT memory cannot easily recall any time when relations between this country and Pakistan were as strained as they are now. Indeed, strained is too mild a word for the brink of hostility at which the two countries have arrived. While this country, as usual, has been able to maintain some semblance of sober dignity in the recent exchanges, President Ayub Khan has not desisted from referring to India openly as his country's enemy. In one case, he went on to hint broadly at the possibility of a shooting war with India, and then made it clear that, as far as he was concerned, he could not see how anyone could prevent him from using American arms in such a war.

Pakistani fulminations against us are so common a phenomenon that few people in India will wish to attach any exaggerated importance to President Ayub's present performance. It is also well known in this country that it is in some ways a political necessity for the Pakistani rulers to keep flogging the dead horse of Kashmir. Nevertheless it is pertinent to ask what is at the back of Ayub Khan's current volley of abuse, threats and challenges; for they have an audacious edge this

time which they have seldom had before.

For the answer to this question, it is necessary to review, briefly, the Pakistani President's recent visit to the United States, because it can be no coincidence that the new belligerence his tone has taken on dates from this time. President Ayub went to Washington on a clear mission of petulance. He had been watching the growing friendship between India and America with deep concern; and had he come back from Washington with nothing gained for himself, but with every offer of aid withdrawn from India, his mission would have been truly accomplished.

But this was too high a price for Pakistani allegiance to the Western camp. Mr Kennedy could not have accepted such terms for what might euphemistically be called Pakistan's "friendship". This must have been made plain to Ayub Khan during his visit and, of course, supersonic fighters were offered him in appeasement. So far, so good. But there is one more thing that the United States had to do to retain Pakistan in its camp, and that was to leave important ambiguities in the final communique in order to spare the visiting President any blunt rejection of his dearest wishes. And now it

is these ambiguities which President Ayub is exploiting in the interest of his anti-Indian campaign.

The most important of these ambiguities is in respect of the uses to which Pakistan may put the arms it receives from United States. Vaguely, it is assumed that the arms are meant only for "defence" against Communism; but any specific commitment to that effect was avoided in the Kennedy-Ayub communique. The Pakistani President has already stated it as his view that the arms could be used on any of Pakistan's frontiers; and, being the blunt soldier he is, he has also asked the pertinent question as to how is America going to stop the Pakistanis using the arms against India. Nor is Mr Galbraith's assurance that in case of an Indo-Pakistani war started by Pakistan, America would come to the aid of India, of any particular value. Indeed the prospect it conjures up is rather bizarre—Washington helping India to resist an aggression which Pakistan could not have made except with the arms aid of Washington.

Thus Washington is, so to speak, at the root of all this. In saying so we do not mean to suggest that Mr Kennedy is purposely inciting Ayub Khan against us—for that is mani-

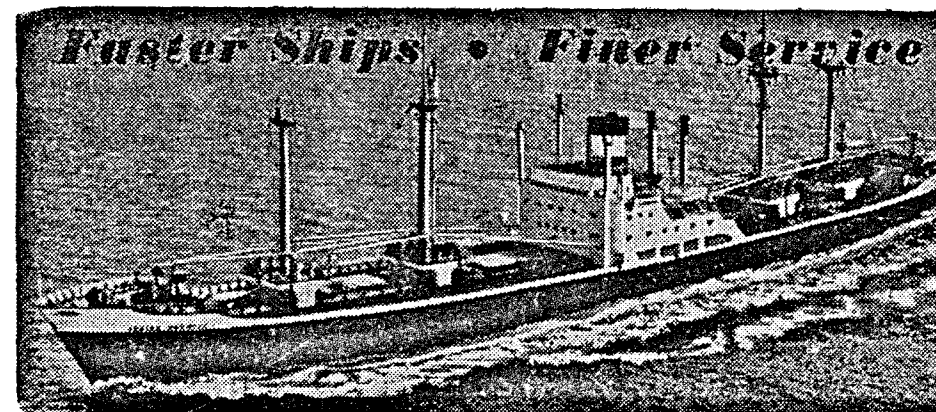
festly absurd—but we do mean that Pakistan would not have been able to rant and rave against India but for its conviction (strengthened by the recent visit) that U S and Pakistan will always stand together against anyone and everyone. The fault of America is that it has allowed this conviction to take root in Ayub's mind, instead of disabusing him of the impression. In the upshot, India is, no doubt, expected to take a "balanced" view of the whole situation—by which is meant that India must not slip into thinking that Mr Kennedy is her enemy. That is true; but at the same time it is impossible for India not to be mindful of the fact that it is American policy in Pakistan which

has enabled the latter to challenge and threaten us.

Perhaps Mr Kennedy himself is more to be pitied than censured in this matter. He places a high strategic value on Pakistan's "goodwill", because of its geographic position; and in order to retain this goodwill he is obliged to let Ayub Khan amuse himself by thinking what he likes about India. But there is India as well as Pakistan to be considered; and the United States must be woefully ignorant of Indian temperament if it thinks that India can be taken for granted in the same way as Pakistan.

Basically, the position is very simple. Pakistan has a certain place in American strategy; if America

has made up its mind to preserve that place for Pakistan, it must pay the price in the shape of risking its good relations with India. It follows, therefore, that Mr Kennedy must make up his mind on the value he places on Pakistan's "friendship", taking full account of the terms on which this friendship can be retained. If he has made up his mind on this score, he must be prepared to see India reacting accordingly. At this point Washington ceases to have any Indian sympathy; and the feeling in this country will be that if the Americans insist on retaining their Ayubs now just as they insisted in the past on retaining their Syngman Rhee, they must take what is coming to them.



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Weekly Notes

Onward to Communism!

WHAT the initial popular reaction is within the Soviet Union to the Draft Programme of the Communist Party published last week, one does not know. But outside the U.S.S.R., it is the promise of free education, free medical facilities, free housing, public utility services and so forth by 1980 which has had an impact comparable to that of the first sputnik. The sputnik, of course, could be seen electronically if not by the naked eye. But free houses and free electricity of Soviet dream are not yet amongst the amenities enjoyed by citizens of Russia. It is, therefore, easy for many in the non-communist world to dismiss the Draft Programme as a mere diversionary manoeuvre. Not unnaturally, political pundits have speculated more on the timing of the proclamation than in its content.

There is, to be sure, a point here. It is not so long ago that Mr Khrushchev made it known to the world that the Soviet Union's demobilisation plan had been scrapped and its defence expenditure stepped up as a counter-measure to the hard line taken by Western powers on the Berlin question. There are enough indications that a false move on the Berlin issue by either of the contending parties might precipitate, if not a global thermo-nuclear war, at least a local war of major proportions. Against this background, few can look ahead to 1980 with the assumption that the intervening period will be devoid of serious international tension. One might, therefore, interpret the step taken by the Communist Party of the Soviet Union as an unobvious move to distract attention from the immediate dangers to world peace. But equally one might feel that the programme is a powerful means of indicating the sort of things that might become unattainable should open war between the two blocs break out.

Which of these contrary views reflects the thoughts of policy-makers in the Soviet Union, no-

body outside can establish beyond dispute. But there is little doubt that much of what is contained in the Draft Programme makes sense only on the assumption that for the next twenty years, the Soviet Union will be able to devote more rather than less of its national resources to meet civilian needs. If, therefore, the Draft Programme is taken seriously by the U.S.S.R., it will necessarily require the exercise of all possible devices to ensure an enduring *modus vivendi* with the countries ranged against it, militarily and ideologically.

The Programme minus Frills

THIS having been said, the thing to do is to look at the content of the Draft Programme. Shorn of frills and clichés, what the Programme aims at is an enlargement of the Soviet Union's national products and a proportionate increase in the resources available for raising the standard of living. It is anticipated that industrial output will be raised by approximately 150 per cent in the next ten years and by not less than 500 per cent in the subsequent decade. Agricultural production is to be stepped up by 250 per cent between now and 1980. As one might expect, it is stressed that, with an increase of this order, the U.S.S.R. will have left the U.S.A. far behind both in industrial and agricultural production. Leaving this obsession aside, the other concomitant objectives are: a rise of 250 per cent in *per capita* real income; provision of about half of the real income of the population through public consumption funds; and reduction of working hours to 30 per week and the elimination of differences between living conditions in town and country. The free goods and services, mentioned earlier, cover a wide range and are to be provided 'on the basis of need'.

These are truly staggering objectives, and one might wonder whether they lie within the realms of possibility even for a highly centralised and growth-conscious country like the U.S.S.R. But one cannot dismiss them for that reason as

wishful thinking. Past rates of growth in the Soviet Union have, according to the estimates of the Economic Commission for Europe, ranged from 8 per cent upwards more or less consistently. Soviet calculations of national output normally take little account of income in 'non-productive sectors', which are usually included in estimates of national income elsewhere. Allowing for that adjustment, and allowing also for the fact that the scope for increase in productivity standards in Russia is still pretty large, one cannot rule out the target of an annual growth rate of 10 per cent or so in gross domestic product as an unrealisable one. Whether the Soviet Union can in fact go higher than that over a stretch of years is more open to doubt.

The point, however, remains that, even if the targets set for 1980 are not entirely fulfilled, the Draft Programme entails a major transformation in Soviet economy and society. In the jargon of the Programme, Soviet society will have moved from socialism to communism. All property, it is claimed, will be public property; all output will be for common benefit and enjoyment. Since so many of the normal needs of the citizens are to be satisfied without charge through communal agencies, money incomes will come to represent a progressively diminishing part of the real income of the people. So at least it has been promised in the Draft Programme. Few can fail to be impressed by the magnificence of all this. But since goods, electricity, houses, hospitals etc. have all to be produced before they can be used, they cannot in the final analysis be obtained by any society without costs. What these costs will be, in both the economic and non-economic sense, is not discernible from the Draft, and this indeed is the major point of criticism in relation to the Programme. However, it is obvious that the decisions to be taken on this Draft by the 22nd Party Congress meeting in Moscow next October will be momentous for the Soviet Union and, therefore, for the world at large.

World Textile Conference

THE arrangements regarding international trade in cotton textiles that were drawn up last month at the meeting of cotton textile importing and exporting member countries of the GATT in Geneva have now been announced. The conference, which was held *in camera*, it will be recalled, was convened at the instance of the American Government and had as its objective the devising of international measures designed to (i) significantly increase access to markets where cotton textile imports are now subject to restriction; (ii) maintain orderly access to markets where no restrictions are now maintained; and, what was most important in the immediate context in which the conference was called, (iii) secure from exporting countries, where necessary, a measure of restraint in their export policy with a view to avoiding 'disruptive effects' on the economy of the importing countries.

A situation typical of such disruptive effects produced on the importing market, it was agreed, generally contains the following elements: (i) a sharp and substantial increase or potential increase of imports of particular products from particular sources; (ii) these products are offered at prices substantially lower than those prevailing in the import market; and (iii) there is serious damage, or threat of such damage, to domestic producers in the importing country.

In plain language the issue before the Geneva conference was that of reconciling the interests of the industrially advanced textile importing countries like the U.S., U.K., Canada and the countries of the European Economic Community on the one hand, and the textile exporting countries like Hong Kong, Japan and India, on the other. While the latter countries stand in urgent need of expanding their exports to finance economic development, the industrially developed countries have sought restriction of their imports of cotton textiles on the ground that they threaten the home industry in these countries.

The so-called short term arrangement made by the conference, which is

valid for a period of one year beginning October 1961, provides that, should an importing country feel that imports of cotton textiles into it threaten actually or potentially, to disrupt its domestic market, it may request the particular exporting country concerned to restrict its exports at a specified level not lower than that in the year ended June 1961. The conference also decided to create a Provisional Cotton Textile Committee to work towards a long term solution of the problem. The Committee has been asked to submit its report by the end of April 1962.

Trade in Manufactures

THE conflict in world textile trade, between the industrialised countries and the developing countries, appears to be typical of a problem in international trade which is likely to become increasingly more pressing as the pattern of trade between the two groups of countries changes under the impact of the progressive industrialisation of the developing nations. In the case of textiles, for instance, both Britain and the U.S. have been transformed from exporting to importing countries in recent years. Their imports in 1960 were twice as large as in 1956. In the U.K., domestic production had declined substantially while it has remained more or less stagnant in the U.S. The growing consumption requirements of these countries have been met by imports from Asian exporters of textiles like Japan, Hong Kong and India.

The relatively limited opportunities for expanding the exports of the traditional primary and processed commodities leave the developing countries with little choice except to build up exports of finished products. Apart from capital assistance, which has its obvious limitations due to the need to service such assistance in the future, the industrialised countries of the west can assist the developing countries much more by permitting imports from them of finished products in new lines of manufacture developed there. The "Economic Survey of Europe" for 1960, (prepared by the Economic Commission for Europe), has urged upon the industrialised countries that, "as a minimum token" of their appreciation of the problems of the developing nations,

they should consider certain measures to liberalise their commercial policies. Among the measures it has suggested are, first, a reduction of the "inordinately high" customs tariffs of some western European countries of certain processed materials (e.g. cocoa powder, paste, etc.) and some finished manufactures (e.g. textiles and leather goods); second, the removal of the formal discriminatory import restrictions on manufactures from Japan and Hong Kong as soon as possible; third, a review, with a view to their ultimate abolition, of the restrictions on imports of "cheap labour" manufactures imposed by some developed countries through domestic measures to transfer resources out of the uncompetitive domestic industries, and lastly, the need for closer attention to the trade requirements of developing countries in the elaboration of the integration being sought by the E.E.C. and the E.F.T.A.

Though in the immediate future exports of manufactures from the developing countries, except perhaps of textiles and jute, are likely to present a serious threat to established manufacturing industries elsewhere, in the long run the industrialized countries, if they are to encourage such exports, will find it necessary to make adjustments in their domestic industrial structure. These adjustments may not be immediately called for, but they have necessarily to be gradual and a beginning will have to be made sooner than later.

According to the Economic Survey, the aggregate import requirements of the developing countries will rise from about \$20 billion now to roughly \$60 billion by 1980 at constant prices. Even on the undoubtedly optimistic assumption that these countries will receive assistance to finance some \$10 billion of these imports, the Survey concludes that they would have to raise their exports by more than two-and-a-half times over the twenty years, i.e. from \$19 billion now to some \$50 billion in 1980. Of this, the traditional export commodities to the European and North American markets are unlikely to absorb more than \$20 billion. And making all allowance for rapid growth of trade in these commodities with the communist countries and among the developing countries themselves, their total exports will not exceed some

\$45 billion. Thus, even on the most favourable assumption, the exports of manufactures will have to earn at least \$15 billion for the developing countries.

The Survey does not consider this an impossible task. If trade among the developing countries and with the communist bloc accounts for one-third of the \$15 billion, and trade with developed countries outside Europe (e.g. USA, Japan) accounts for another \$5 billion, western Europe will need to expand its imports of manufactures from the developing countries to about \$5 billion by 1980. If the countries of western Europe achieve their targets of economic growth, imports of this order will represent only 2 per cent of the increase in western European demand for manufactured commodities in the next 20 years!

N C D C's Target

THE National Coal Development Corporation's target of additional coal production for the Third Plan has been the object of much confusion. The confusion has been caused partly by the manner in which the target has been laid down in the Plan. According to the Planning Commission, the public sector target of 20 million tons of additional coal production by 1965-66 is expected to be achieved thus: 3 million tons through expansion of the Singareni coal fields in Andhra and 17 million tons by the N C D C. At the same time, the Third Plan lists some 18 projects all of which are proposed to be taken up by the N C D C in the Plan period. These projects when completed are estimated to yield additional production of the order of 18.5 million tons. The Plan reconciles these two figures — 17 million tons and 18.5 million tons — by stating that the higher capacity of 18.5 million tons has been visualised to cover possible shortfalls in the actual implementation of programmes. Actual additional production is not expected to be more than 17 million tons in spite of the higher capacity planned. Though this is quite clear, newspaper reports persist with stories that the N C D C's target for the Third Plan has been "raised" from 17 million tons to 18.5 million tons. This is, obviously, not correct.

In fact, considering the stage of preparation at which most of its

new projects are, far from "raising" the target, the N C D C would do well to achieve 17 million tons of additional production by 1965-66. Thus only two of the 18 projects — those in South Balanda and Bistrampur — can be considered "firm" in the sense that the project reports in respect of them have been prepared and approved. These two projects which are expected to yield 3.5 million tons may go into production during 1961-62. Beside these, another four projects are in the nature of extensions of existing mines and, since the basic data regarding reserves are already available, it would be possible to start production without much of the preliminary operations necessary in the case of opening up a mine in a new area. These latter projects, which are expected to yield additional production of the order of 2.2 million tons, should bear fruit early in the Plan period. As for the remaining 12 projects which account for 12.8 million tons of the total of 18.5 million tons, even project prospecting has not been completed in all cases. Enough data to enable preparation of project reports for these projects are not expected to be collected before 1962-63; and so the new mines can be expected to be opened up only late in the third year of the Plan at the earliest.

This being the position with regard to the major new projects to be undertaken by the N C D C, it will do well to achieve the target of 17 million tons of additional production set for it in the Plan. In any case, the bulk of the additional production is likely to materialise only in the last years of the Plan.

Aid for Coal

THE success of the coal programme, both in the private and public sectors, depends heavily on the availability of foreign assistance. This should be obvious from the fact that out of a total estimated capital outlay of Rs 60 crores on the private sector programme, the foreign exchange component amounts to no less than Rs 28 crores, or almost 50 per cent. The foreign exchange component of the public sector outlay of Rs 103 crores, is, surprisingly, not mentioned in the Plan but it is

not likely to be inconsiderable in view of the fact that the programme of the N C D C calls for the almost simultaneous establishment of several new mines in virgin areas.

It is now fairly certain that a loan worth Rs 30 crores has been assured by the World Bank to the private sector of the industry. A team, comprising of officials of the Steel, Mines and Fuel Ministry and representatives of the industry left for Washington early last month to negotiate the loan. If it materialises, the loan would meet the entire foreign assistance requirements of the private sector.

Foreign assistance for three N C D C projects is also available from commitments made in the Second Plan. These are the projects at Korba, Jharia and Ramgarh which are expected to produce 3.3 million tons per annum by the end of the Third Plan.

Soviet credit for the Korba project was included in the 500-million rouble credit agreement signed in 1957. This covered the following items in the project: (i) a quarry to produce 1 million tons per annum from the Jatraj seam at Manikpur; (ii) necessary underground workings to produce 1.5 million tons per annum from the Ghordewa coal seam; (iii) a central workshop; and (iv) a coal washing and dressing plant. The washing and dressing plant has since been given up, though only after the Soviet experts had drawn up a project report for it. Similarly, the quarry at Manikpur is not among the projects listed in the Third Plan. The project report for Ghordewa scheme has, however, been approved by the Government of India, and Russian experts are now known to be engaged in preparing designs and working drawings.

The new coal field in the Jharia area will receive assistance from Poland under the agreement signed with it in May last year. The Polish experts will submit their report on the 2-million-ton project by the end of 1962, and by the end of the Plan, production will reach 3 lakh tons per annum. The third project for which assistance is available is the one at Ramgarh. Americans are to assist in opening up the mine at Ramgarh with an initial capacity of 1.5 million tons.

Prospecting work has already started, and U S equipment will reach the work site by the end of this year.

These do not by any means exhaust the list of projects to be executed by the N C D C in the Third Plan for which foreign assistance will be required. The three projects mentioned above account for only 3.3 million tons of the total of 18.5 million tons of additional production capacity expected to be built up by the N C D C. Foreign assistance for other N C D C projects will have to await the finalising of the details of credits agreed to by different countries for the Third Plan.

Plan for Bhutan

BHUTAN, the small mountainous kingdom in the north east, standing as a buffer between India in the south and Tibet in the north, has now a five-year plan. Drafted by Indian planners and accepted by the Bhutanese Government, it is expected to cost a total of Rs 17.5 crores. Communications receive the highest priority in this plan. The other major heads of projected development are: agriculture and forest development — Rs 1 crore; power development — Rs 0.33 crore; mining — Rs 1.32 crore; and education, social welfare and public health — Rs 2.65 crores.

One point about the plan which is intriguing is that, in spite of the high priority assigned to the development of roads, the vital approach road from India into the isolated kingdom is not mentioned among the projects to be taken up for execution immediately. The road development programme, included in the plan, was first evolved two years ago; and, when completed, it will give Bhutan some 800 miles of motorable roads on five arterial routes besides many more miles of feeder roads. The first road to be taken up for construction in the plan — 120 miles long, metalled and 18 feet wide — will have two major bridges. A second road, some 100 miles long, will connect Bhutanese villages with the State of Assam. A third road, the most difficult one from the point of view of construction, will be 300 miles long, extending over five mountain passes and reaching a height of over 14,000 feet.

The Bhutanese Government has evolved an interesting system for ensuring popular participation in its programme of road-building. Under this system, every family in the areas through which the road will pass has to contribute 23 days' labour for every adult member in the family. Each family has either to send a new adult for work every 24th day or keep the same man or woman on the job till the work quota is fulfilled.

Time for Decision

A correspondent from Punjab writes in support of the Punjabi Suba:

WITH Master Tara Singh, the Akali leader, clinging firmly to his decision to go on an indefinite fast from August 15, troubled Punjab is in for another serious crisis. The danger of physical disturbance may not be so great; and even if it should turn out to be otherwise, the authorities in the State are evidently well equipped to deal with any threat to peace. Indeed, they appear to have taken precautions well in advance. But these measures are no answer to the emotional upheaval that the fast by the aging Sikh leader cannot but cause at least among his followers, and the irreparable damage that it may do to relations between the two chief communities in the Punjab of today. The effect of a fast like this, undertaken out of what looks like a sense of desperation, and any mishap in the course of the self-inflicted ordeal — the effect of such developments would be only to harden feelings and attitudes in Master Tara Singh's camp and even force those who are at present opposed to him to yield to mass pressure. What happened in Andhra, Maharashtra and Gujarat is bound to repeat itself in the Punjab, and perhaps on a more ominous scale too. Today there is still some chance for a compromise which could be more or less acceptable to all the interests concerned and which could avert the impending tragedy in the Punjab with all its means in terms of embittered feelings and disturbed passions.

For instance, it is fairly clear that Master Tara Singh is prepared for the verdict of a plebiscite on the issue of Punjabi Suba provided it is confined to the areas actually speaking Punjabi in the present

State of the Punjab and provided also it is conducted under impartial auspices. In this respect at least, Master Tara Singh must be said to have gone farther than all the sponsors of linguistic States before him. The acceptance of the plebiscite proposal will have the immediate advantage of averting the threatened fast, easing the rising tension in the State and creating a calm atmosphere for the discussion of delicate issues. The Punjab has been convulsed too much already to be in a position to face the prospect of another convulsion, and admittedly a very grave one, with equanimity. Every effort must therefore be made to prevent this calamity in the next few crucial days; for, once the fast is embarked on, considerations of prestige and congealed attitudes on both sides would make the task of disentanglement difficult.

Statesmanship would dictate that these facts be recognised immediately and the idea of Punjabi Suba accepted straightway. From Master Tara Singh's statements it would appear that he is not so much concerned about the exact delimitation of the boundaries of the new State as about its formal creation in keeping with a principle, enshrined in the Constitution and already applied to the rest of the country. If his word is to be accepted, he is not even keen on the slight majority that the Sikhs are likely to enjoy if the new State were to be marked out on certain obvious lines. Such an attitude provides scope for deciding its boundaries in such a way that neither of the two major communities there has any reason to be unduly suspicious or apprehensive of the other. These are ideas in accommodation which can be usefully pursued and even rendered generally agreeable in a peaceful, friendly atmosphere which a fact and its consequences can never be expected to foster. The Punjab's importance to the safety or security of India is obvious. But what is not so obvious is the wisdom of a policy which sees more cause for comfort and confidence in the State as it is with a large section remaining perpetually disgruntled than in a contented smaller State which is an enthusiastic participant in the Indian Union, as eager as other States to contribute to national unity, strength and progress.

From the London End

Selwyn Lloyd's Austerity

Mainly for Workers and Teachers

IT has been an angry and confused week in London ending with an anti-climax. It all began weeks ago when deliberate hints were dropped to the press that something dramatic was going to happen on the economic front. Taking its cue, the press and television began a build-up calculated to wear down the public and prepare it to accept any sacrifice asked of it. As the drama unfolded, there was a hectic scramble for buying consumer goods all over Britain and many stores compared the rush with the traditional Christmas spending spree.

The tone was set by the Postmaster General's announcement on July 24 increasing telephone and parcel rates. The increases will yield another £25 million in revenue to the Post Office. The burden of increases will mainly fall on small business, who use these services the most. In this way the Tory principle, that economy is big business and not social service, has triumphed and henceforth the Post Office will not only run like a business but will be expected to show a profit or at worst, break even. If anything at all was remembered about providing a telephone to every household or improving postal amenities, either it was rejected on economic grounds or forgotten.

Lloyd's Tricks

The bitter smell of these measures had hardly been blown away when the next day the Chancellor of the Exchequer, Mr Selwyn Lloyd, ex-Foreign Secretary of the Suez days, returned to the attack. This was the great moment for which all had been waiting. The crisis of British economy, many thought, was at last to be dealt with on a serious level. British economy has seen so much tinkering since the war that even those who disagreed with the political outlook of the ruling party were prepared for harsh and unpopular measures. Mr Lloyd had other thoughts.

It was an incredible performance. The Chancellor's bag was indeed full of tricks, but tricks which had been tried before and had failed to stimulate the British economy. As the *New Statesman* remarked, "The

Chancellor's emergency measures are irrelevant to the main problem of the British economy". In effect what these measures amounted to was a curb on spending, leaving the problem of investment and growth almost untouched. It is true that he actually used that dirty word planning, so beloved of the socialists, but in a manner shy and uncommitted. To this, we shall return later.

The measures expected to be immediately effective in curbing expenditure made a long list. On top of it was the rise in bank rate from 5 to 7 percent, coupled with the demand by the Bank of England for an extra 1 per cent special deposits. To strengthen the pound even further, the Chancellor announced the drawing of 2,000 million dollars from the International Monetary Fund. It was the surcharge of 10 per cent on existing purchase tax and Customs and Excise duties which hit the consumer hardest of all. Wines, tobacco, petrol and many durables will all cost more. It is estimated that the new surcharge will withdraw £210 million from the economy every year and thus combat inflation.

No Vision, No Strength

On the face of it the measures are simple enough and should succeed on a short-term basis. But what struck economists was the absence of any steps to stimulate investment. Britain has one of the lowest rates of economic growth among the industrial nations and the recurring crises in the economy are the consequences. This is where the ludicrous abuse of the word planning comes in. For the Chancellor it simply means that he will approach both sides of the industry to co-operate and co-ordinate economic planning. He has no plan of his own to offer, no set of priorities even to suggest. The all too familiar tune of cutting government expenditure and preventing its annual increase beyond 2½ per cent next year was also sung dutifully by the Chancellor. Another promise made was to economise in defence expenditure. This may take the form of refusing to pay for the British troops in Germany. But im-

mediate political uncertainties over the Berlin crisis may negate all the drive for defence economy. All in all, neither vision nor strength characterise the new economic measures, some of which are even contradictory.

For instance, the Chancellor has said that foreign aid will not be allowed to rise beyond the current rate of £180 million a year. Yet, due to political factors, the amount of foreign aid given is bound to rise. Unless the British Government is prepared to act out of step with the trends in international economy and developments in the competition with the Communist countries, it is misleading to hope for savings in this direction. For British firms in foreign countries, the directive is to bring back more profits home. It is hardly likely to be complied with by those who are reinvesting in countries where restrictions are imposed on repatriation of profits. Not much saving on this score, either.

Wages vs Profits

The most controversial aspect of the new measures is in the sphere of wages and profits. The Chancellor mentioned the figures of rise in personal incomes and national production. The rise in incomes during 1960-61 was £1,450 million. The rise in production was £650 million. Therefore, he concluded, wages must be restricted. Indeed, a virtual wage freeze in the public sector of industry has already been declared. The trade unions were expecting this to happen but what has made them really angry is that there is no corresponding restriction on profits and dividends. The industrialists have been let off merely with a warning. This is where the absurdities of new measures become self-evident.

What has become apparent even so soon after the announcement of the proposals is that industrial and political strife lies ahead in Britain. Not only Labour but the general public is dismayed by measures which will increase the cost of living by about 1½ per cent while at the same time preventing wage increases. The Trade Unions cannot be a party

to such unfair arrangement of the economy. And the storm clouds which Mr Lloyd has called into being have already reached bursting point in some cases. If they burst that would be as inevitable as it would surprise Mr Lloyd.

The Teachers' Lot

The case of the teachers is a significant one. Like many other countries, including India, Britain is noted for shabby treatment of its teachers. Although everybody who is anybody in public life is prone to deliver a lecture on the need for more teachers and more scientists in this new age of competition, the fact remains that people are not willing to take up a career where rewards are few, responsibility great and work hard. Even the inexhaustible patience of this noble profession, however, is at its end. Recently, they rejected a wage award by the Burnham Committee because they considered it inadequate. This was surprising militancy on their part. But while they were considering strike and other alternatives to gain their end, Mr Lloyd added insult to injury. He has declared that even the Burnham Committee awards will be scaled down in some cases, although he conceded the justice of teachers' claims. Naturally, the teachers have been lashed into fury at this treatment and are planning for a strike. Public sympathy is on their side but the government cannot accept their claims without striking at the root of its own new measures.

This kind of situation is bound to multiply rapidly as the increased cost of living makes itself felt among the workers. Once this happens, Mr Lloyd may find a wave of pay-rise claims standing between him and industrial peace. This time no amount of propaganda about the country expecting them to do their duty, while expense account aristocrats fiddle with the economy, will influence the workers from their determination to get the better of the Chancellor. And if this mood persists, at the next election the Tories may find it difficult to hang on to power. There is no surplus labour either to relieve the industrialists from labour militancy.

It may be asked why the Chancellor has taken such a political risk, because he cannot be unaware of it. The explanation is simple. Ever since

the Tories came into power in 1951, they have followed a formula. During the middle of their term they take unpopular measures and as the economy levels off, they call an election and persuade everyone, or almost everyone, that they have never had it so good. It remains for the British electorate to prove if it has yet discovered the trick.

Yet Another Report

As if the excitement was not enough for one week, the Council on Prices, Productivity and Incomes also added to it by producing yet another report. It recommends an 'independent and objective' long-term assessment of the future growth of the British economy. Somewhat shyly it suggests that this would be of value in planning production, wages and prices as well as profits. Like the Chancellor's brave new economic policy, the report has also produced an anti-climax.

The steps recommended by the Council have been urged upon successive Chancellors in this country and are not new. Nor are they far advanced in the direction of planning because all the accumulated knowledge is merely to be used by those in responsible positions as a guide. What puzzles observers is why the mountain of labour put in by the council is able to produce only mice.

All this has relevance to the issue of Britain joining the Common Market. Mr Macmillan is about to announce, as I write this letter, that Britain is to apply for the membership. (The announcement was made on Monday last—*Ed.*) Now a stock argument of all those in favour of joining the Common Market has been that Britain cannot compete otherwise. As such, on the eve of becoming a member, it was expected that the Chancellor will take measures to cure some of the longstanding ills of the British economy. Instead, the chaos is to rule as before. It is this sense of utter lack of direction, of any effort to face realities which raises doubts about the effect of the Common Market on Britain. In its present weak state, it may well be smothered by competition from Germany and France.

Excitement of a different sort was caused by a small incident which assumed vast racial proportions and threw a great deal of light on this

explosive issue in Britain. In the town of Smethwick, where several hundred Pakistanis live as industrial labourers, a council house was allocated to one of them, Mr Sardar Mohammed. This was the first such case because none of the other houses occupied by Pakistanis have become due for demolition yet. As soon as the news became known, some three hundred families, all British, living in those flats declared their opposition to the flat being occupied by any foreigner, avoiding the word coloured. But it was an attempt to force the council to change its decision. To its credit, the council has refused to budget even though the white families have threatened non-payment of rents.

Latent Problem

The matter rests there for the present but the situation has to be watched carefully. It has been claimed by many that minority living habits are disliked by many English people. And ever ready to fish in troubled waters, the British fascists and their allies become very active in any dispute which involves members of two different races. Although coloured immigration into this country continues, the significant fact is that most of the immigrants are being absorbed in industries and other jobs of a menial nature. Yet, when the cry is raised that British jobs are in danger, no one bothers to explain how vital a role these immigrants are playing by taking up jobs which are unpopular with British workers. They are gradually becoming a separate social group disinterested in their surroundings because they have given up attempts at absorption as a bad job. Not enough is being done to bring about mutual understanding between the immigrants and the natives. Unless this comes about, the future of racial harmony in this country will remain gloomy and tense.

The difficulty is that the racial problem is being ignored for the sake of politeness. No one likes to admit it and therefore nothing is being done about it. But, if a tragedy is to be avoided, it is the duty of the British Government, and those Commonwealth Governments whose citizens come here in search of jobs that enough social workers are in the field to look after the immigrants. A frequent source of trouble is that the immigrants often do

Japan through Western Eyes

(From Our Japanese Correspondent)

The long tradition of emphasising the spiritual and the aesthetic over the material is strongly even today in the character of the Japanese in business as well as in other fields of endeavour.

Competition in business is against the nature of the non-westernised Japanese.

Social anthropologists and psychiatrists have described Japanese culture as a "shame" culture as opposed to western "guilt" culture. One of the most dreaded things that can happen to a Japanese is to be shamed, to fail in competition or be revealed as inferior to anyone else.

Even the Government encourages the belief that competition is harmful and makes efforts to prevent Japanese manufacturers and exporters from competing with one another.

There are besides central associations in practically every industry whose main purpose is to avoid competition among individual members.

TO the average Japanese businessman, "business is not always first". The primarily Western concepts of "business is business" and "business before pleasure" have only partially infiltrated into Japanese business ideology and are more often than not disposed of humorously by the Japanese.

Most Westerners, especially Americans, are raised on the principle that the primary object in life (business life, that is) is to gain as much material success as possible. The Westerner is conditioned both mentally and physically to regard the acquisition of "conspicuous" property as the "good life". On the other hand, the Japanese for many centuries have been forced by both natural environment and social pressures to emphasise artistic and spiritual accomplishments rather than mere accumulation of wealth. There was very little wealth in Japan to be accumulated in the first place and what there was naturally went into the hands of a few individuals in power. This ruling minority logically fostered, by force and "teaching," the idea that the common man should not covet material riches but should devote his energies to perfecting and harmonising his relationships with his fellowmen and serving his lord and master. As a matter of fact, in 18th century Japan, laws were promulgated to control the accumulation and display of wealth. Businessmen, traditionally, were next to *Eta* (outcasts) on the class scale, and those who were brash enough to display their success and riches by living above their station had their enterprises and their accumulated wealth confiscated by the Government.

Thus this long tradition of emphasising the spiritual and the aesthetic over the material is probably one of the primary characteristics of Japan's peculiar culture and is, consequently, very strongly reflected in the character of the present-day Japanese in business as well as in other fields of endeavour. The businessman, though, is no longer an outcast and no longer has to fear confiscation of his business by the Government. There, however, still exists a tendency on the part of the Japanese businessman to let the Government run his business. In addition, for several hundred years prior to the opening of Japan to trade with the West, travel from province to province in Japan was strictly controlled by the *shogunate* (the Military Government). Trade between the prefectures was also forbidden, as each wanted to remain a self-contained unit. The *Edo* (Tokyo) Government, deliberately left roads and bridges in poor repair to discourage the movement of goods as well as large bodies of men which would, if permitted, pose a threat to the Central Government.

Distaste of Competition

When the great business houses rose and fell in the Mediterranean, and later in Europe, and a solid foundation of business ethics combined with Judeo-Christian principles was evolved in the Western world, the Japanese continued to conduct themselves, and their small home-type enterprises, under a code of obligations based on class position that characterised the morality of their society.

In Japan, when she was still isolated from the Western world,

wealth and power were in the hands of a small ruling group and there was room for only a few large business enterprises. It was thus natural for the proprietors of such enterprises to conduct their business in the same manner as they conducted their social life according to the dictates of the peculiar Japanese national character. Competition in business is against the nature of the non-westernised Japanese. When the Japanese businessman is forced into a position where he must directly compete against the Westerner, it is a terrifying situation for him, since he has been taught for centuries to regard competition and profit-making as despicable or even immoral. Whereas in the West competition may stimulate, it has the opposite influence on the Japanese.

Social anthropologists and psychiatrists have often described Japanese culture as a "shame" culture as opposed to Western "guilt" culture. One of the most dreaded things that can happen to a Japanese is to be shamed, to fail in competition or be revealed as inferior to or less capable than anyone else. This is evident even in the Japanese language which owes its most distinctive character to the fact that those using it must be very careful indeed not to insult or shame anyone. This in part explains the remarkably "polite" manners of the Japanese in most of their normal social contacts with each other and which are naturally extended to the foreigner. Though there undoubtedly are Japanese today who can stand up under competition or bear to be "shamed", Japanese newspapers even now carry almost daily stories recounting incidents of someone taking revenge—

not know the accepted modes of behaviour here. While nobody will expect them to change overnight, a little instruction in such matters coupled with some advice to discard habits which cause undue offence to local inhabitants, may go a long way towards avoiding conflict. Indians should not imagine that they are not concerned with this problem because a great many of them are here as immigrants. If racial conflict comes the Indians will not be left out of it. But there is no sign that the Indian Government has shown any real concern over this matter.

Soviet Trade Fair

THE results of serious economic planning were seen in London in the Soviet Trade Fair which closes on July 29th. Record attendance was perhaps stimulated by the presence, for one day, of Yuri Gagarin whose pleasant and open manner won the hearts of Londoners so much that it was necessary for the *Times* to comment editorially that the reception accorded to Gagarin had no political implications, despite comments in America, Germany and Switzerland which interpreted it as showing moral and intellectual softness, gullibility and possibly lack of fibre necessary to meet the approaching crisis over Berlin. But even the *Times* had to admit that part of the welcome was an attempt by ordinary people to break through the barriers of the cold war.

The Russian exhibition at Earls Court had 10,000 exhibits and is the largest exhibition that has ever been held by Russia outside its own country. About 1,000 Russian industrial enterprises participated in the organisation which cost the Russians approximately £ 1 million.

The Exhibition itself was divided into eight main sections—Science, Industry, Transport, Building, Agriculture, Education, Public Health, Consumer Goods and Culture. Although the Cosmos Hall, with displays of models of sputniks and spaceships stole the show from the point of view of hard business, what was particularly interesting was the industrial machinery and equipment on show. From this Trade Fair one got a very good idea of what has put Russia, not merely on the map scientifically, but on the forefront of many technological and scientific developments. The exhibition showed most clearly the developments in

Soviet science which make such things as space flights a possibility.

Thirty machine tools were on show, including a semi-automatic gear-grinding machine with programmatic control and a multi-cutter semi-automatic turning lathe also with programmatic control. There was also on view foundry equipment, various welding tractors and cutting instruments, as well as a working model of an automatic machine line for producing hub and roller chains.

Particularly interesting were the models of various types of automatic power stations with water-moderated, water-cooled and graphite-water reactors and the model of the Bratsk hydro-electric power station with a capacity of 4.5 m kilo Watts.

The Russians, like the Americans, are trying several different reactor systems for their automatic power stations, while Britain has gone all out on the one type providing 300 to 600 or more mega Watts per station or 150 to 300 mega Watts per reactor. The Russian achievement in power stations is on a small-

er scale with about 100 mega Watts per reactor even in the big six-reactor station being erected in Siberia. One new type not yet built, except on a zero-power scale, intends to use water and steam as collant with graphite as a moderator.

Some of Russia's most original thinking has gone into automation research. So far, the Russians are the only people to build a computer based on compressed gas instead of electronics. Two possible advantages of such a computer system are robustness and cheapness of operation. Compared with electronic "logic", however, the pneumatic system must be slow.

Though Britain has not yet been converted to the two-cars-a-family philosophy of the Americans, there was considerable interest in the display of Russian motorcars in the Transport Section, which also had models of Soviet aeroplanes which may one day penetrate on a larger scale the world market at present dominated by America, France and Britain.

THE GREAT INDUSTRIAL WHEEL in motion

In spite of dangers from outside and fassiparous tendencies inside, the country's progress must go on. The wheels must keep moving and we do our bit in that direction.

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on someone else or on himself. Among students a common reaction to failure in examinations (especially entrance examinations to well-known universities) is still suicide. Because of the fear of competition, the Japanese, businessmen as well as others, have become experts in thinking about ways of avoiding it. Thus Japanese students are often graded not for their performance in a subject, but for their behaviour or conduct. Again, the go-betweens who arrange marriages have their counterparts in business. So much so that even the Japanese Government fosters the belief that competition is harmful and makes every effort to prevent Japanese manufacturers and exporters from competing with each other. The existence of associations in practically every industry in the country whose main purpose is to prevent competition among individual members stands testimony to the anxiety of Japanese to avoid competition.

It is not surprising therefore that "truth" and original intent in business negotiations in Japan have never really been based on moral sanctity in the Western sense, but are rather relative considerations that depend on the sense of obligation and the anxiety to avoid "shame". Thus it should not be considered dishonest when an interpreter in a business negotiation mistranslates some remarks, which, according to him, may offend either party. In business, as elsewhere, it is considered a breach of etiquette in Japan to criticise or advise someone except where a superior-menial relationship is involved, just as it has been traditionally considered "wrong" to disagree with someone in public or to insist that one is right when one is in error. There are many classical examples in Japan's history where a Japanese has forfeited his life because he was right and someone else was wrong in a relatively unimportant situation.

This extreme sensitivity to the slightest hint of an "insult" that is, surprisingly, still very strong in Japan is further complicated by the fact that "foreigners" are rather callous and demanding. An American businessman, for example, may tend to aggravate the problem by his efforts to get the best possible deal. From the Japanese viewpoint, simple direct negotiation is itself very impolite and it is a great strain on

many Japanese to take part in negotiations conducted in the "Western style". Whereas sincerity to most Westerners means being "free from pretence or deceit" or in other words, primary honesty and truthfulness, to the ordinary Japanese, it means being careful not to do anything or acknowledge anything that would cause him to lose face.

Loyalty and honour have traditionally been personal relationships with the Japanese rather than impersonal principles. And though most Japanese are by now generally familiar with the ethical principles that are second nature to Westerners, whether they are actually practised or not such concepts are still alien to the Japanese. When, for example, a foreign businessman enters into an agreement with a Japanese without actually being able to communicate with him—even in cases where both parties desire such an understanding—the agreement is shaky from the very beginning and is in the nature of something like a truce which is in constant danger of being violated.

One of the primary causes of such "misunderstanding" stems probably from the fact that the Japanese, though willing and even eager to adopt foreign (Western) technology and business methods, have in most cases either ignored or resisted the philosophy of business that grew up with these techniques and methods.

Feudal Relationships still Prevail

The feudal employer-employee relationship that prevailed throughout Japan for centuries is still very much in evidence. The substitution of praise and honour for material compensation is but one indication of this. The bigger the social-economic gap between two Japanese, the more polite the superior is to the inferior.

A Japanese employer always finds some reason to praise his most menial workers, thereby doing them honour, while his attitude to those closer to him in social rank is correct and rather cold. This should not be interpreted as self-abasing humility but is a carefully calculated method of "paying" for the services of the workers. The bonuses given to most Japanese employees twice a year should not be thought of primarily as a part of salary, but rather as a reward for continued loyalty. And because loyalty, rather than skill or

capability, is rewarded, it is no wonder that many Japanese employees "mark time" rather than work for advancement since advancement will come with age and not with skill.

But then what changes have taken place in the Japanese business world, especially since Japan began her contacts with the West on a large scale? First of all, English has become the accepted *lingua franca*, though perhaps "Japlish", as some writers have called it, describes the language used somewhat better. Foreign businessmen assume that a Western-educated Japanese who speaks adequate, if not fluent English is a "friend" in the "enemy camp" who can be depended upon to cooperate fully with the foreigner. While this may sometimes be so in general, this is not true. If the Western-educated Japanese is employed by a medium-sized or large business organisation and he is not one of the top executives, he is up against a system that continues to constitute the very soul of the Japanese, and despite his foreign education, he still is very much part of that system. Instead of being accepted by his associates, he is likely to be ostracised for his foreign learning and training and relegated to the background in some unimportant position.

In fact, it is rather difficult for Japanese who have studied overseas to get themselves back into the system and maintain friendly relations with other Japanese who have never been abroad. Employers are often reluctant to hire them. It seems as if many major Japanese firms have decided, more or less as a matter of policy, that they will not consider anyone who has studied abroad for employment. This prejudice is based on the knowledge that the foreign-trained individual would be better qualified than other members of the firm in many respects, and would thus tend to be a round peg in a square hole and would constitute a "special case" extremely hard to handle. I know of a Japanese university graduate who went to the United States for further study and obtained a Master's degree. On her return to Japan, she was given the job of serving tea to the male employees and guests. In any case, being a woman, she could of course never hold any responsible position, be-

cause, according to the Japanese, a woman, regardless of her education, cannot be trusted with "important" work.

A number of Japanese, mostly males in their middle and late twenties who studied abroad for extended periods, are not able to find a position with a Japanese firm because they happen to be without the necessary personal connections. Others in this group who were finally able to find employment had to be content with positions in which their abilities, especially their ability to speak and write the English language, were not used. Many companies continue to prefer to employ Japanese who have never studied abroad but are capable of writing and speaking a sort of pidgin English. Not so long ago I talked with a young Japanese who had been in the United States and whose English was better than average. This young man was employed by a large firm to write English prospectuses but since he was "foreign-trained", his section chief, who had never been abroad and whose English was atrocious, corrected his good English, because it "sounded and appeared un-Japanese". As a result, the prospectuses issued by the firm appeared in a language more or less incomprehensible to any English-speaking person.

It should be added here, though, that some change is taking place in this respect. Since it is absolutely necessary for an increasing number of Japanese firms to have employees who can read, write, and speak a foreign language, some companies make a "sacrifice" and finally employ foreign educated individuals. The foreign educated employee is not so much employed for his special ability in some foreign language, rather he becomes a buffer between the "hard-to-understand foreigners" and his firm. When he speaks to the foreigners he puts on his Western veneer and seems to understand and sympathise with the foreigner. But when he turns around and speaks to his Japanese associates, he becomes one of them and consequently does his best to see the foreigner through their Japanese eyes.

The foreign-educated Japanese may not feel ill at ease in the presence of a foreigner but the non-Westernised Japanese definitely does. He never quite knows what the foreigner is going to say or do and thus has

no idea how to react to him. About the only thing which most Japanese have been able to assimilate is the handshake, but they are often so hesitant even to shake hands that at a meeting at which foreigners are present, many awkward situations are created by a many false starts after which finally all hands are tangled up together.

Americans are probably the most difficult of the foreigners for the Japanese to associate with, since the American "back-slapping manner" is exactly what the Japanese have been meticulously trained to avoid as a very serious social transgression. By tradition, the Japanese, businessmen and others, have a prescribed form and manner for every familiar situation that may be expected to arise. When a situation, over which they have no control and which is outside their normal experience, develops, the Japanese do not know what to do and consequently undergo intense discomfort and embarrassment. The Japanese businessman who is called upon to deal with foreigners finds himself in such uncomfortable situations often. He does not know how to conduct himself like the foreigner and the foreigner, in turn, does not know enough about Japanese etiquette to attempt to behave like a Japanese. The thought probably never occurs to the American in the first place. It is in such a situation that the very dignified Japanese executive of a company is placed in an awkward position which becomes even more awkward, should the foreign businessman attempt to overcome the situation by joking in a language which the Japanese does not understand.

Antidote to Social Strait-Jacket

The only time the Japanese, and the Japanese businessman especially sheds his mask and disregards the strict rules of behaviour imposed on him by society is when he is drinking, and to compensate for his otherwise strait-jacketed existence, he drinks a great deal. Japan has been called a kind of paradise for drunks, (this too is gradually changing, and laws to curb drunken excesses are currently under consideration by the Government). Drinking has been and still is to a great extent an integral part of many traditional social functions. Drinking, therefore, was an accepted custom which tended to soften the very serious social pressures on the individual. According

to several prominent Japanese sociologists, it is so difficult for the Japanese to communicate with each other according to the various rules of etiquette manner and "proper position" which govern Japanese society that they are forced to resort to drinking as a means of breaking down the barriers between them. This is one of the reasons why much of the business and political manoeuvring in Japan was traditionally carried on in entertainment houses rather than in offices.

Japanese youth and the few older Japanese who are individualistic in their manner and actions are not, of course, as etiquette-ridden as the ordinary Japanese, but even they are reserved in their relationships especially with a foreigner.

However, to offset the habits and attitudes mentioned above which the average foreigner finds incompatible with modern economic and business activity, there are other factors, psychological as well as sociological, which explain why the Japanese are a formidable commercial nation and why Japan is one of the world's top industrial powers.

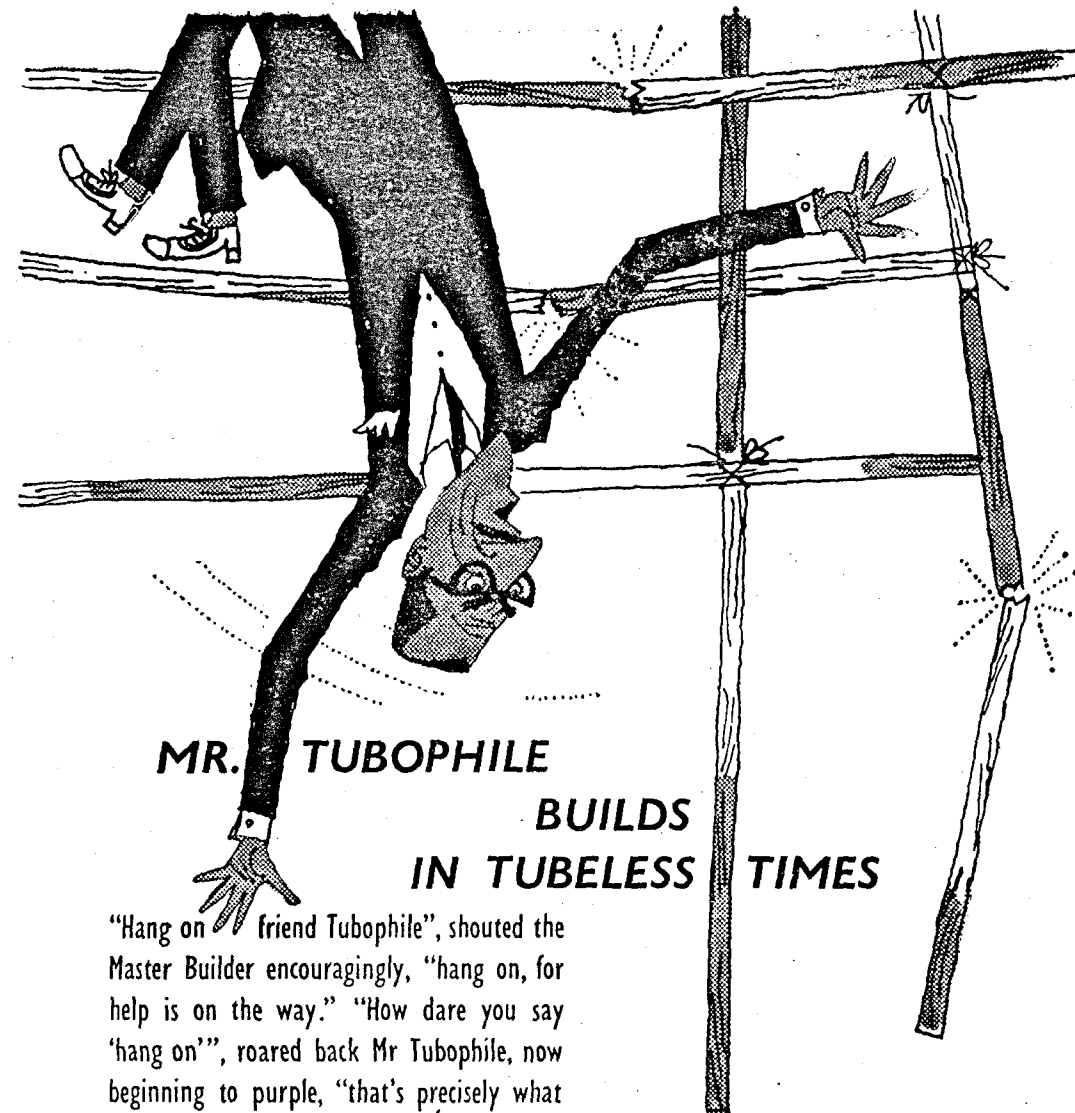
The same system of ethics and aesthetics that render Japanese life rigid gives the Japanese that subtle charm and Japanese life that exquisite beauty both of which are so much admired. The contradictions of the Japanese way of life in one moment irritate and annoy and in the next delight and charm.

International Power Grid

THE English Channel electric power cable which will enable Britain and France to exchange electric power is to be commissioned in September this year. As the peak consumption periods in Britain and France do not coincide, the link-up will allow surplus electricity in one country to be exported to the other.

After a series of operational trials, the inter-connection which will provide for the transfer of up to 160,000 kW of power in either direction from one national electricity network to the other will be established on a permanent basis early in 1962.

The project, in effect will mean an integration of the British and French Grid distribution systems. There will be a considerable saving in capital expenditure on both sides of the Channel.



**MR. TUBOPHILE
BUILDS
IN TUBELESS TIMES**

"Hang on, friend Tubophile", shouted the Master Builder encouragingly, "hang on, for help is on the way." "How dare you say 'hang on'", roared back Mr Tubophile, now beginning to purple, "that's precisely what I am doing—hanging on—and that for dear life, from your rotten scaffolds. By the sacred crocodiles of the Nile, never again will I undertake a building job in tubeless times. No future in it, except a chance to break your neck. Call yourself a Master Builder! The cheek of it when you haven't the wit to use safe and sound tubular steel scaffolding. Could have done the job in half the time and no risks attached. Lucky for you Master Builder, there are no Workers' Unions in your tubeless Egyptian times. Or you would have been for the high jump too. As for me, no more building without tubular steel scaffolding. Now get me down from here."

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President Ayub's U S Visit What Has It Achieved?

K P Karunakaran

Ostensibly President Ayub Khan hoped to persuade the U S Government to cut down economic aid to India and bring pressure to bear on India to settle the Kashmir dispute to Pakistan's advantage. He also hoped that he could get the United States to increase economic and military assistance to Pakistan through thinly-veiled threats to quit the alliance with the West.

Nothing in the public statements of the American and Pakistani Presidents or the carefully-worded communique signed by them suggests that President Ayub Khan succeeded in any of his apparent objectives.

Was his much-publicised visit a fruitless one, then?

PRESIDENT Ayub Khan's visit to the United States, his utterances there and the joint communique issued by him and the American President have received much attention in India. It is natural that the people of this country should examine closely the implications of the communique, because the Pakistani President started his journey with the following avowed objectives: to persuade the U S to reduce her economic aid to India and bring pressure on India to settle the Kashmir dispute to Pakistan's advantage. He also hoped that he could get America to increase economic and military aid to Pakistan by threatening to quit the alliance with the West and align with the Communist bloc. The public speeches of the American and the Pakistani Presidents and the carefully-worded communique signed by them do not suggest that President Ayub Khan has succeeded in achieving any of his objectives. There will be no change in the U S policy on Kashmir or on the question of aid to the two countries.

What then has General Ayub achieved by his visit? Has he come back empty-handed from the U S? Is the much-publicised visit—referred to as a historic one in the Pakistani press—a fruitless one? As it was clear from the very beginning that Ayub would not succeed in the objectives mentioned above, why did he undertake this visit at all?

A closer examination of the effect of the Pakistani President's speeches in the U S and in Pakistan will reveal that he did succeed in two limited fields—first, in strengthening the position of the friends of Pakistan in America and, second, in consolidating, at least temporarily, his power in his own country, which was increasingly getting shaky.

New Strength for Pakistan Lobby

By directly appealing to the American public, who are still not completely free from the hysteria created by MacCarthyism, and to those elements in the State Department who are Dulles' legacy to it, President Ayub Khan has succeeded in weakening the position of those advisers of President Kennedy, who stand for a progressive re-orientation of American policy towards Asia. This is no mean achievement, because many pressures and counter-pressures are exerted on the State Department and even such a dynamic President as Kennedy and such intellectuals as Chester Bowles and Adlai Stevenson are not free to formulate their own foreign policy. If they were, the Cuban disaster would not have taken place. The Pakistani President is aware of this. He wanted to strengthen the reactionary elements in America on whom he can rely. Everyone knows about a Chinese Lobby in the U S. Pakistan does not now have such a well-organised lobby, but she has the rudiments of one. She has her friends in the U S and one of them, Phillip Talbot, occupies the key position of the Assistant Secretary of State for South and South-East Asia.

Ayub has told the American public directly that his country is the only reliable friend they have in Asia. In the present political climate in the U S, many Americans will be inclined to reciprocate this offer of friendship from a reliable friend rather than try to please India, on whom they cannot rely. These may not be the most rational and informed people of the United States, but they are neither a hopeless minority nor unimportant.

The internal situation in Pakistan also necessitated Ayub Khan's visit to the U S. The foreign policy of alignment with the West has never been popular with the people of Pakistan, who have inherited more or less the same political traditions as the people of India. The mass public demonstrations in Pakistan when Suez was invaded or when Lumumba was murdered showed where the sympathies of the people lay. It is not without significance that even President Ayub Khan had to tell the Pakistani people that he had "protested" against the flight of America's U-2 planes from Pakistani territory. Pakistan did not send her troops to Korea. She has recognised the Communist Government in China.

These are significant pointers to Pakistani policies. Many official spokesmen of the Pakistani Government never tire of repeating that Pakistan's search for security was based not on a fear of the Soviet Union, but of India. They can, therefore, sustain a military and political alliance with America only if it can be demonstrated that thereby Pakistan is strengthening her position vis-a-vis India.

Pakistan's Economic, Political Failure

But the record does not indicate that Pakistan has in fact done this. Pakistan is today militarily and economically weaker than India and the pace of her economic development is also slower. In the initial phase of the military Government, its spokesman could blame the situation on the politicians. But now the politicians are no longer there. So the Government must find a new scape-goat. They have found one in India and another in the new U S Administration's policy of giving massive economic aid to India. Hence the vigorous attack on both.

The military Government in Pakistan is facing another major difficulty. When General Ayub assumed power he assured the Pakistani public that democratic government would be restored to them at an early date, but, in fact, they now find that they are going farther and farther away from democracy. The leaders of the coup did gain some popularity by streamlining the administration and getting the streets cleaned. But as they have nothing more to offer, the so-called "revolution" has exhausted its purpose. The people of Pakistan are essentially democratic and freedom-loving. The present rulers of Pakistan can remain in power only as long as the democratic spirit of the people is not allowed to exert itself. So, in the name of the democratic rights of the people of Kashmir, which India is alleged to have denied to them, the Pakistani Government now tries to confuse its own people and to divert their attention from internal political problems.

Historical Instances

Historically, similar attempts by dictators have occasionally succeeded. The successes of Hitler and Mussolini are the most striking examples in modern times. But, unfortunately, unlike Hitler, who could work within the framework of a highly industrialised society, dictator Ayub Khan has to make repeated pilgrimages to the United States to get economic and military help. In America he has had to mortgage his whole country. That was what he meant when he said that Pakistan was the only reliable ally of the U S in Asia in the event of a major conflict. Such a statement may be popular in some circles in the U S; but it cannot be popular even among the extreme fascist sections in Pakistan, because fascism can be sustained only by aggressive nationalism and revolts at the spirit of dependency on others. Thus his visit to the U S has not helped the Pakistani President to resolve his dilemma. He has only postponed the date when he will have to face it more squarely.

Coal Industry

THE number of collieries reported to be working during April 1961 was 857, with an average daily employment of 394,995 workers, according to the Chief Inspector of

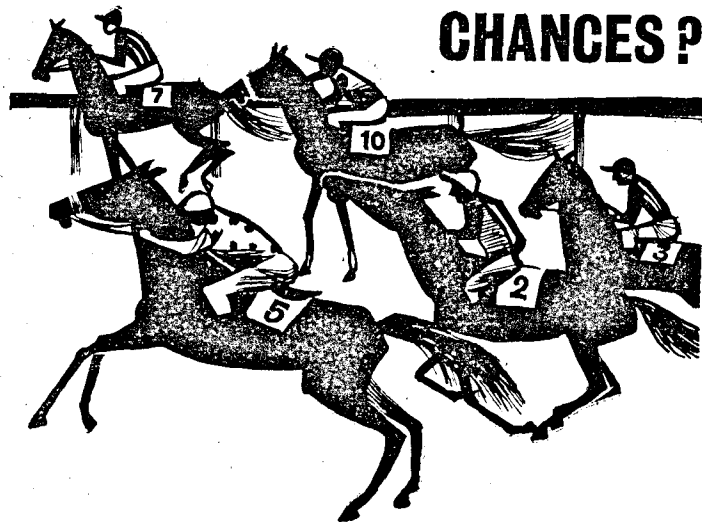
Mines of the Union Ministry of Labour and Employment. The corresponding figures for the previous month were 856 and 403,044 respectively.

Output of coal per man-shift was estimated at 1.22 metric tons for miners and loaders, 0.64 metric tons for all workers below ground and in open-cast workings and 0.46 metric tons for all persons employed

including above ground workers, as compared with 1.41, 0.75 and 0.53 respectively for March, 1961.

The percentage of absenteeism was 14.72 as against 13.87 in the preceding month. The over-all cash earnings of the workers per week for the whole of Indian Union were Rs 23.44. The figures for Jharia and Raniganj fields being Rs 23.63 and Rs 23.00 respectively.

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Review Article

Some Recent Books on Indian Agriculture

Walter C Neale

Agricultural Economic Theory and the Indian Economy by J R Bellerby and N A Mujumdar, Bombay, Vora and Co, 1961. Pp 158, Rs 7.50.

The Cooperative Movement in India by E M Hough, revised by K Madhava Das, fourth edition, Bombay, O U P, 1959. Pp xxx, 493, Rs 20. The same, abridged, 1960. Pp xv, 240, Rs 4.

Agricultural Marketing in India and Abroad by R S Srivastava, Bombay, Vora and Co, 1960. Pp 243, Rs 12.50.

Farmers of India, Vol I, Punjab, Himachal Pradesh, Jammu and Kashmir by M S Randhawa and Prem Nath, New Delhi, Indian Council of Agricultural Research, 1959.

IT is sad that the group of books under review here is a poor lot. The absence of good literature on the subject should not justify the publishers in setting these books before the public in their present form, although thorough revisions of the last two could turn them into good books. Your reviewer will start with the poorest book and climb the ladder to the only good one.

A Sad Mistake

It is too bad that economists of the reputation of Messrs Bellerby and Mujumdar have written and published this book. It is a bad book — bad because the authors ventured into moral philosophy where they reveal their lack of expertise, and into matters of rural reconstruction about which there is already a far more sophisticated literature.

The first chapter on "Agricultural Economic Theory and Policy" — originally published in the Indian Journal of Agricultural Economics — is a good essay, a worthwhile contribution to the literature on "economic dualism". Thereafter the book deteriorates. Implicit in the argument is the assumption that soon India will face the problem of what to do with its increasing wealth and leisure, and this premise, combined with a naive view of philosophy and human attitudes and institutions leads them ultimately to the statement on p 143:

"The first stage in the programme (firing imagination and causing a widespread movement towards forms of life which allow of conscious fulfilment) might be to invite a Committee of Indian Philosophers to suggest an answer to the question:

"Through what forms of economic and spare time activity and contemplation can the Indian people in town and country become most comprehensively fulfilled and be aware of it?"

This passage occurs amidst quotations from Vice President Radhakrishnan, pleas for "amateurism" as a means of fulfilment, and heavy riding of the authors' hobby horse — arousing rural India through radios in each village.

The earlier part of the book contains much less secular revivalism, but betrays an ignorance of the literature on rural development in India. Chapter VI outlines a scheme of "standard target forms" for agriculture and lists eight ways to get the target forms accepted. These eight steps (p 100) are a good length behind normal techniques of extension work in their sophistication; but sadder still is the absence of any indication that the authors are aware of the problems of extension work in rural India, as revealed in the P E O reports and the independent evaluations of Community Projects by Dube, Coldwell, and the Balwantrai Committee. Action and analysis are eight years past the need for pleas for recognition of the problem or schemes which do not allot duties and suggest very specific techniques for an already functioning departmental hierarchy.

While the chapters on the agricultural situation, the population problem, and administration are not bad, they are outdated and add nothing to common knowledge. One might read — and assign to students — Chapter I, but should stop there.

This reviewer has frequently been embarrassed by the tendency of

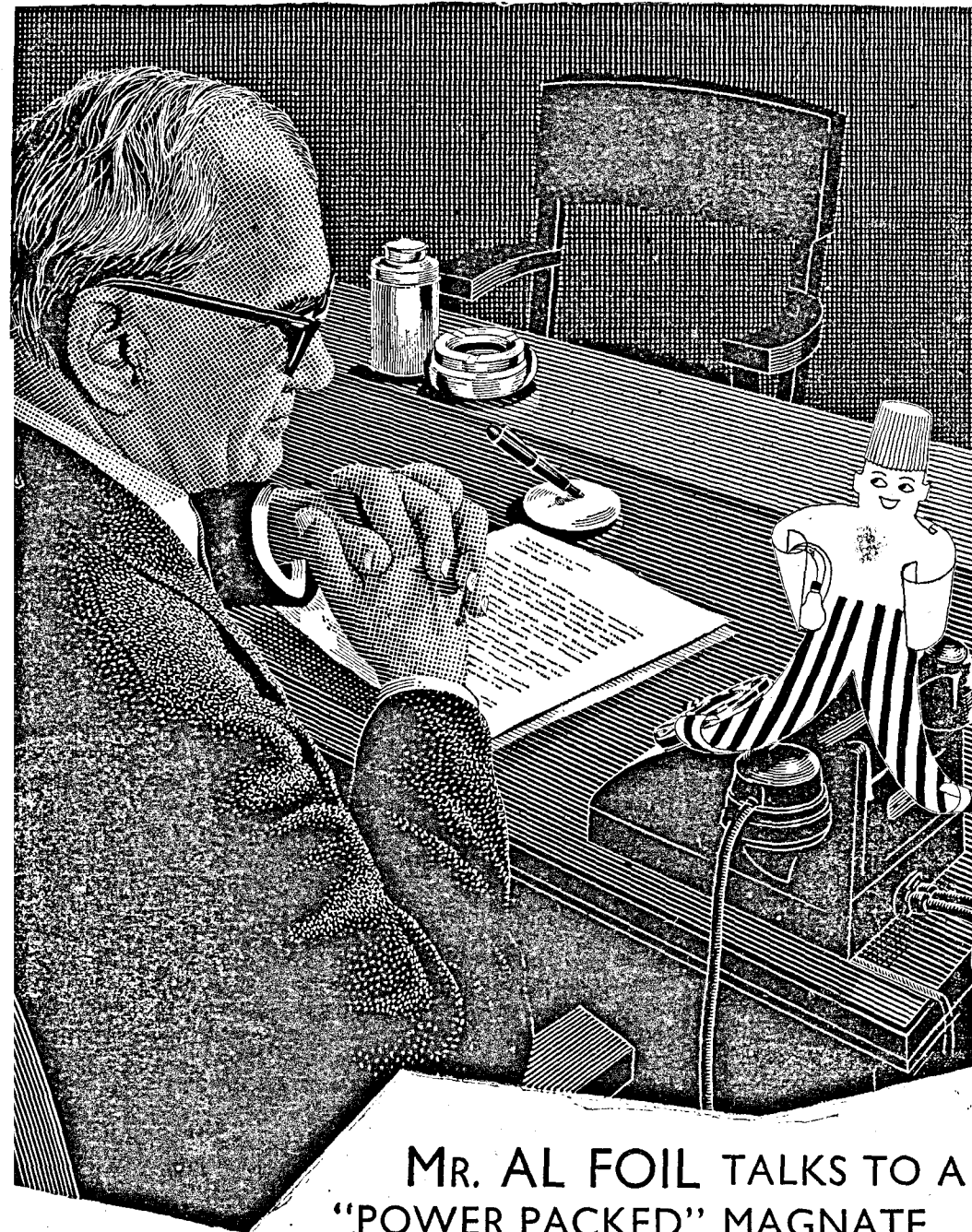
his fellow-Americans to draw up schemes for the total reconstruction and development of the Indian economy and Indian society. Now that they have been joined by an Englishman and an Indian his blushes need be less scarlet.

For some reason — perhaps because India is being newly discovered by Western economists, perhaps, because there are economists in the Planning Commission, perhaps because foreign economists are treated with such courtesy, very likely because there is so much ignorance of Indian history and society — India has become a kind of plaything for academicians, so that advice is given not merely on matters in which the adviser is technically competent, but on the whole tone and structure of society. This kind of advice would never be given to governments or organisations in the foreign economist's home country, but is given freely and unselfconsciously to India. *Agricultural Economic Theory and the Indian Economy* is one of the worst examples of this genre.

Not Good Enough

Madhava Das's revision of E M Hough's book and its abridged edition fail to be anything, which is a pity since Eleanor Hough's original edition was a useful and worthwhile venture at the time. The book has now grown by accretion without selection. The books could be an encyclopedia of co-operatives, but are not. Alternatively, they could be a history or a comparative analysis of co-operation in the different States, but are not. Rather they are an agglomeration of miscellaneous facts.

A book needs a theme, the focus of a clear question. Neither the



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large nor the abridged version (which follows the larger work very closely) has a unifying question. The fact that all facts mentioned do have to do with co-operation does not knit the work together. The books are not readable either because so many figures are used: a reader can absorb only a few figures from the text. If many are presented, they should appear in tabular form, but in the abridged version (p 75) 16 figures appear, not including dates. There is certainly need for an analysis of where and how and why co-operatives have grown or failed in India, and about tested measures to encourage them, but we still wait for it.

As an encyclopedia, it is not useful since most of the data refers to the years 1947-48 and 1956-57. If figures for later years are not available (although the abridged version came out a year later), at least the material for the intervening years could be published in tabular form.

Unapplied Economics

Shri Srivastava's book misses being good by failing to use analysis (and commonsense) in applying economic theory and a large body of comparative material to marketing in India. Professors Ashby and Raeburn, quoted on the fly-leaf, have given the work a strong recommendation, and it is a good thesis. But what is needed to show growing competence as an economist does not constitute a publishable book. The obvious topics are taken chapter by chapter, and within each chapter there are resumes of the experiences of India and other countries, usually the U S, Canada, U K and Sweden.

What more is wanted? An analysis of which foreign experiences are relevant to India and why. Only when such an analysis is made can one recommend — not a necessary element in scientific work—because one can recommend only after establishing a strong expectation that the suggested policies will have the hoped for effects. It is the absence of this element which hurts the book: a thorough rewriting to tie the comparative materials to analysis would make Shri Srivastava's volume a useful, perhaps the leading work, on Indian marketing.

Furthermore, Srivastava's book illustrates how some attitudes have become habitual. On page 123 we are told that paddy losses during storage are 1 per cent, wheat losses 3 per cent, and that "losses in the case of perishable crops are even more staggering". But what is "staggering" about losses of 1 or 3 or even 5 per cent? What are comparable losses elsewhere? Again, same page: "Damage by weevils and other pests is also enormous. No comprehensive estimate for these losses is available". Commonsense asks the question: how does Srivastava know they are "enormous" if they are unmeasured? (I take it that is what he means by the lack of a comprehensive estimate). And how large is "enormous"? This kind of writing is not analysis but merely an expression of common, unthought-out attitudes.

On pages 127-29 Srivastava pleads for more cold storage facilities, arguing that without them 15 to 20 per cent of fruit and vegetable crops are now spoiled. There is, however, no economic analysis of the issue raised. What is the value of the spoiled crop? What is the cost of cold storage for the crop? And here, of course, one means the costs, given the size of marketed lots, distribution of output over the countryside, and the transport network. It seems not unlikely to this reviewer that there is little cold storage because it is uneconomic, and likely that grains are "poorly" stored because it is not worthwhile to rat and weevil proof small godowns. A proper study of agricultural marketing would analyse the actual costs and benefits in India and neither assume nor assert them.

As often occurs in economics books recommending policy, no attention is paid to the problems of administration and technical competence. Granted that grading would be beneficial, how does one recruit and/or train the personnel? And once employed, how does one keep the graders honest? After all, the present *arthiyas* do grade when they buy: the problem is that their grading is suspect, perhaps dishonest, certainly not uniform. Would, for instance, graders at Rs 100 per month be better? If the answer is yes, then how and why? On these and similar questions Srivastava has nothing to say.

The Wrong Book by the Right Man

The volume by M S Randhawa and Prem Nath is the first in a series designed to "promote better understanding of the problems of the farmers of various States" since "the need of a book which could give information about the climate, soils, crops, the farming communities, their villages and homes and their culture was badly felt" (p 9). As those who make a profession of worrying about Indian agriculture know, the purpose is admirable; the need clear. The question, then, is whether Messrs M S Randhawa and Prem Nath of the ICAR have produced a book which persuades us that the series will fulfil its purpose. The answer is "perhaps, but probably not."

For each of the States described —this volume is really three books on three States, bound in one set of covers — the authors attempt to describe the geology, soils and climate, then the crops and farming practices; and lastly the farmers and their villages. The authors are better on the geology and biology of agriculture than on the sociology, where they are weak indeed.

The strength of the book is in description; the weakness, in interpretation. The lists of crops, rotations and practices in regard to ploughing, weeding, irrigation are informative and if the succeeding books follow a common design we should be able to compare one State with another. A reader who knew the agriculture of another State but not Punjab would find points of comparative interest without difficulty; the novice reader would learn what Punjab farmers grow, when, and to some extent how and why. And reader, too, could learn how the villages and houses are laid-out, the look of the room in which the farmers live and of the clothes in which they dress. But if one asks more of the book, there will be disappointment, and there are difficulties even in the descriptive passages.

Your reviewer is an alien economist turned specialist in Indian agriculture, with definite, horrendous gaps in his agronomic knowledge. To such a person a couple of chemical formulas are uninfor-

mative, and one suspects too superficial for the soil specialist. On another level of assumption, the English equivalents of names of implements used in the mountains are given, but not of those used in the plains. Yet would a reader from Bengal or Madras be likely to know the equivalents of Punjabi terms?

Shri Randhawa wrote a book on "Community Projects in Punjab" five years ago. When your reviewer read it he felt that it was not a book about Community Projects in Punjab, but rather about agriculture in Punjab and how to improve it. That book was more informative than the present one and covered much of the same material, but suffered as does this one from an absence of knowledge of social analysis.

The important questions raised by village layout and style of housing are "why is it laid out this way," and "what effect does this lay-out have on social relationships, on cast hierarchy, on the distribution of power within the village?" To these questions Messrs Randhawa and Nath give no answers.

They also treat 'culture' in the spirit of a travelogue — pretty embroidery and lovely songs. A strong element of pastoral romanticism pervades the discussion of culture, and perhaps as a consequence there is no presentation of the ideas of the people — attitudes, prejudices, aims, fears. The reader does not find out what the farmers are like, much less why they are that way. When a man who knows Punjab as well as Shri Randhawa does fail here, one wonders if it is because no one knows the answers. Alternatively, one wonders if it is the usual, rather sad case of a man of intimate knowledge approaching a subject without the necessary tools.

The sociological naivete is especially marked on pp 97-98 where one is given the classic Jat description of Jats: "finest of the Punjab peasantry . . . In physique they are inferior to no race of peasants . . . handsome features . . . frugal and industrious. Though not intellectual, they have considerable shrewdness . . . unusual independence of character . . . litigious . . . natural stubbornness . . . but honest, industrious and enterpri-

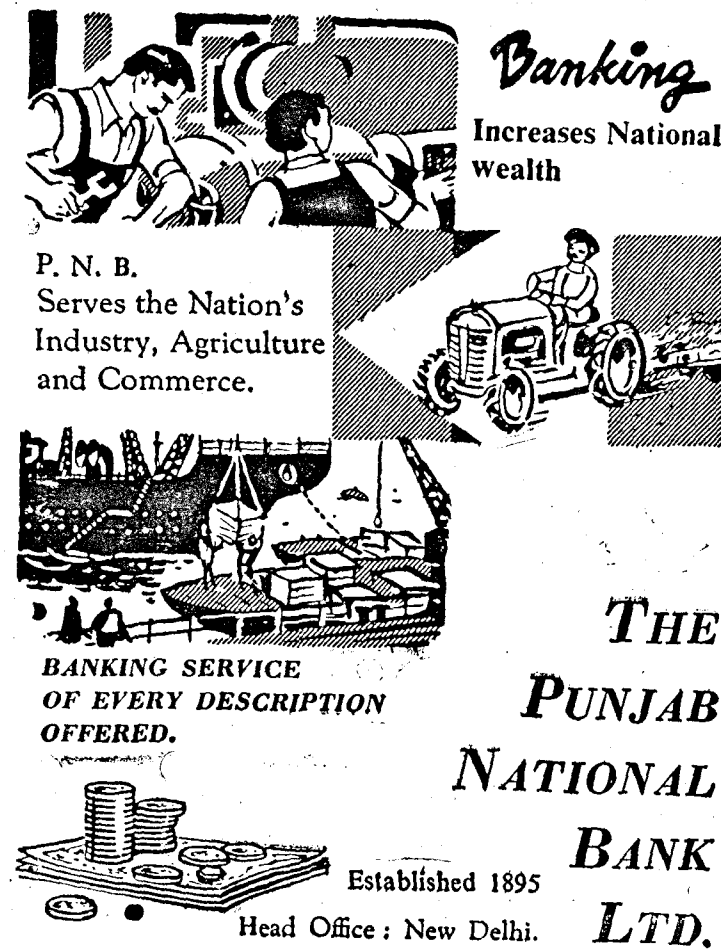
sing . . ." This is followed by a quotation (without citation of source) from Darling in the same vein, although Darling does call the Amritsar Jat "spendthrift and violent". But nowhere is it mentioned that the Jat is the hardest drinking peasant in India. Why? Is this less relevant than the other characteristics to an understanding of the men? And is any of this — thrift, thriftlessness, handsomeness, industriousness, drunkenness — more than a compendium of the prejudices of pro and anti-Jats? Kipling's India apparently lives on at the I C A R.

Finally, there is evidence that this is a "cut-and-paste job". On p 39 one finds the statement that jowar "as human food is confined to the southern districts, and that, too, in the winter months". Twice before this same statement has irritated your reviewer because the same information will support the remark that "in the southern districts jowar is one of the two staples, maintaining the cultivator for half his life". Since Shri

Randhawa has been author of this sentence twice before, it is at least his. However, this cannot be said for lifting passages from the early Settlement Report for Rohtak District.

As your reviewer reads over the last few paragraphs he feels he has been vicious, and is sorry to be so. Had the authors restricted themselves to farming, at the explanation at which they are indeed good, this would have been a favourable review.

It is sad to review a group of books and find so little pleasant to say about them. Had Shri Srivastava attempted to relate the principles of marketing — especially a cost-benefit analysis and an analysis of the administrative problems — and the experience of other countries to Indian problems in more detail than he has; if Messrs Randhawa and Prem Nath used more sociological sophistication or restricted themselves to "farming in" rather than "farmers of" India, then we would have two good books.



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Index Clauses in Wage and Financial Contracts

S K Basu

Recent years have witnessed a remarkable revival of interest in index based wage and financial contracts. This can be traced to the inflation which has gripped many countries since the War.

An attempt is made here to analyse the economic effects of index clauses in wage and debt contracts.

It is not, of course, possible to examine all the various and complex ways in which index linking schemes affect different aspects of the economy. Attention is, therefore, confined to examining whether index linking checks inflation or accelerates it.

THE whole object of index linking is to provide a kind of insurance to the wage earner or the creditor against the erosion of the real value of the wage and debt payment as a result of rising prices. Full compensation for price changes is seldom provided; though there are some interesting cases not only of full but of over-full compensation. Thus according to the Finnish Decree of 3rd October 1947, wages were linked to a cost of living index by an escalator clause which provided for a 5½ per cent increase in wages from their basic level of October 1947 for every 5 per cent increase in the index. Wage earners were thus guaranteed a 110 per cent compensation or a 10 per cent over-compensation for price rises.¹

Generally speaking, the amount of the wage and of the principal (and sometimes of the interest also) is varied according to variations in the particular index chosen. The most common index that has been adopted in this respect is the general or cost of living index, sometimes a specially constructed one. In the case of index linked bonds, however, the principal and interest have sometimes been linked to particular groups of prices or to the external exchange rate. Israel provides in this connection a number of interesting experiments in value — pegging devices in the private as well as the public sector. The Israeli Government issued in 1950 a new type of bonds in payment of requisitioned foreign securities which were linked to the official I £ — \$ exchange rate. The loans issued by the Governmental Building Corporation were tied to the building materials index. The

Nesher Cement Company issued bonds the value of which was linked to the current prices of cement. The Mehadrin Citrus Company pegged the value of its debentures to the market price of orange groves.²

An attempt to analyse the economic effects of index clauses in wage and debt contracts will provide a fruitful line of study. The space at our disposal will not permit an elaborate analysis of all the various and complex ways in which index linking schemes affect the different aspects of the economy. We shall confine ourselves to an examination of the question whether these schemes counter inflation or accelerate it. Let us first consider the question with reference to the wage contracts.

Cost Push vs Demand Pull

The question whether wage increases produce an inflationary effect has been so widely discussed in recent years that it is worthwhile to restate the main features of the prevailing theory in this respect. There are two principal schools of thought which have debated the issue whether the inflationary effect is due to the push of increasing costs or the pull of demand on prices. In other words the cost push theory has been sought to be set against the demand pull theory. Among the proliferation of inflation types that have emerged in recent literature, this dichotomy between cost inflation and demand inflation has given rise to widespread controversy. The main objective of the distinction is to draw attention to the origin or cause of the inflation so as to assist in the formation of a proper public policy.

According to the cost push inflation theorists, the trade unions are responsible for increased wage demands and big business for raising prices to protect their profit rates. The advocates of the demand pull theory, on the other hand, hold the Treasury responsible for spending too much and taxing too little and the central banks for creating conditions of monetary ease.

It may be argued that there can be no cost inflation without an increase in purchasing power and demand. Mere cost increases would lead to unemployment and depression, not to inflation. An increase in effective demand is the necessary condition for generation of inflationary pressure. But the very exercise of the wage raising power of the unions will stimulate the banking system to create purchasing power. Under these conditions a cost push inflation will lead to an expansion of credit and to an increase in effective demand which will permit the increase in consumer prices. Even if the money supply is not increased to finance a wage-price spiral, wage increases may be an autonomous source of inflation (B C Roberts, "National Wages Policy in War and Peace," p 162). The level of demand may be pushed up to meet each new price level through the activation of idle balances and the increase in the velocity of deposits and cash in circulation. Thus what began as a cost push inflation ultimately turns into a demand pull one. Inflation develops as a result of the demand pull being super-imposed on the cost push. Just as cost push requires the aid of demand pull to generate inflation, so demand pull by itself under certain conditions (as in the case of administered prices) may be insufficient to produce inflation without the aid of a cost push. It is thus clear that

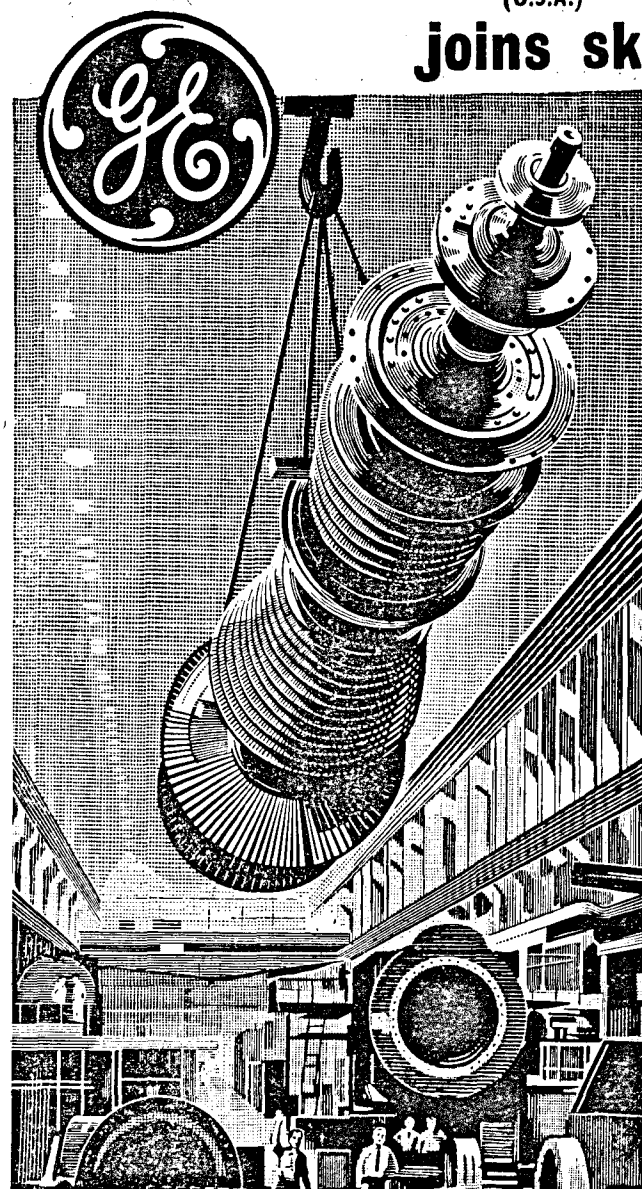
¹ "A Unique Experiment in Escalated Wages" by Dr Suviranta, *Banca Nazionale Lavoro Quarterly Review*, September 1960, P 270.

² "The Abdication of the Israeli Pound as a Standard of Measurement" by Mr A Rubner, *The Review of Economic Studies*, October 1960.

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a "monistic" interpretation would be inadequate.³

Useless Dichotomy

So far there is nothing to quarrel with this aspect of the conceptual framework. But difficulties at once arise if an attempt is made to attribute the initiating cause of an upward movement of prices either to cost push or to demand pull. It would be impossible to separate the effects of cost push and demand pull and conclude that so much of the price increase is cost induced and so much is demand induced. Some attempts have been made to prove the existence of a demand pull by comparing profit rates with wage rates—e.g. when profit rates increase faster than wage rates. Similarly over-employment and overtime payments have been identified as symptoms of demand pull inflation. But all these attempts are vitiated by the arbitrary choice of the base period.⁴ Moreover, the presence of the above symptoms does not prove that cost inflation has not contributed to the generation of the inflationary forces. Wage increases may have the effect of raising money incomes as well as costs. As a direct result of increased demand it may lead to a bidding up of other prices. There are hardly any unambiguous clear-cut criteria for distinguishing between the two types. The controversy over the nature of the inflation in U.S.A. during 1955-57—whether it was created by a cost push or a demand pull—indicates how difficult it is to classify an inflation under a particular type.⁵ In the circumstances the cost inflation *vs* demand inflation dichotomy serves no useful purpose for classifying inflation types. The very fact that a particular inflation cannot be resolved into its constituent parts shows the basic inadequacy of the concepts.

The attempts to distinguish between the two types of inflation may not however be entirely wasted. An important service that has been performed by the advocates of this two-fold type is to draw attention to the fact that inflation is not a single

"monolithic phenomenon".⁶ All price increases do not take place in the same manner nor do they have the same characteristics. Although it will be futile to establish any rigid relationship between inflation types and policy measures, it may be sometimes useful to adjust policy measures to the special characteristics of the problem at hand.

Index-Based Wages and Inflation

Now let us turn to the specific question whether the presence of escalator clauses in wage contracts tends to re-inforce inflationary pressures. The arguments that have been advanced to establish the inflationary impact of wage escalation are as follows:

(1) The frequency with which wage adjustments will take place would be much greater with escalation than without it. As wage adjustments would be frequent, the increase of purchasing power to support price rises would take place quickly.

(2) Escalator clauses in wage contracts would automatically increase wages even in industries where productivity has not increased or where the trade unions are too weak to raise wages in the absence of such contracts.

It may be observed in this connection that escalator wage contracts which are designed for compensating rises in the price level may under certain circumstances increase the real income of the covered workers. They have been compensated for the income effect of the price change. But the substitution effect remains. If the change in the price level is accompanied by a change in the relative prices one can substitute goods whose prices have increased relatively less for goods whose prices have increased relatively more. The covered workers may continue to buy the old combination. But since they have been compensated for the rise in the price of a particular commodity, they may wish to buy less of that commodity and more of other goods whose prices have increased relatively less. Thus their real income may increase.⁷

3 "Another View of Cost-Push and Demand-Pull Inflation" by F Machlup, *The Review of Economics and Statistics*, May 1960 p 128.

4 Ibid, p 129.

5 "Cost Push versus Demand Pull Inflation" by R T Selden, *The Journal of Political Economy*, February 1959.

6 "Cost Inflation versus Demand Inflation" by William G Bowen, *The Southern Economic Journal*, January 1960, p 204.

7 "Escalator Wage Contracts and Real Income" by A G Frank *The Southern Economic Journal*, April 1959, pp 474-77.

Professor Haberler in a recent publication has stressed the inherent bias of escalator clauses to accelerate inflation. Escalator clauses in salary and wage contracts and, in later stages of inflation, in debts and securities no doubt remove some of the inequities of inflation but in the same process tend to accelerate the speed of inflation, if the money supply is elastic. More universal adoption of escalator clauses "would take most pleasure, profit and stimulus out of inflation". (G Haberler, "Inflation: Its Causes and Cure" 1960, p, 34.) If any particular group, say labour or business or government, were to attempt to secure a larger slice of the national income at the expense of other groups whose money incomes are relatively fixed or sluggish, the latter would also join the game and have their money incomes forced up in response to rising prices. Expenditure on the limited real output of the community would be increased and prices would further rise. The first recipients would soon find that they are hardly gaining anything—the increase in their real incomes being frustrated by a rise in prices and cost of living. They would repeat their claims for yet another substantial increase in money incomes. These demands will follow one another closely and the inflationary process will be accelerated. (J E Meade, *Control of Inflation*, pp 7-8).

Two Different Experiments

In the ultimate analysis, however, the inflationary effect of escalator clauses would vary according to the construction of the clause and the framework within which it is built. This may be well illustrated by reference to two entirely different experiences in this respect, one in Denmark and the other in Finland.

The Danish experiment in escalator clauses is unique in the sense that the coverage of these clauses was very broad. It embraced within its purview not only wage earners but civil servants and other salaried people and even pensioners. A recent study has clearly shown that during the period 1945-1957 although on some occasions rising prices induced escalated wage increases, yet throughout the period as a whole, non-escalated wage increases were of a much greater magnitude

From the Chair

The Indian Sugar Mills Association

Presidential Address of Shri D. D. Puri

IN his Presidential address at the 28th Annual General Meeting of the Indian Sugar Mills Association, held at New Delhi on the 31st July, 1961, Shri D. D. Puri, President of the Association said:

Record Production and Crisis of Surplus

On the sugar front, we are meeting under the shadow of deep crisis. Every day that passes deepens the shadow. We have moved far ahead of the times when scarcity of sugar was the order of the day. With the shift of emphasis in the Government policy from mere regulatory and distributive measures to maximising production, adopted last year, we have not only turned the corner so far as the availability of supplies is concerned, but paradoxically enough, are now in the midst of what I have called a crisis of surplus.

Static Consumption Trend

In the current season production has almost reached the figure of 30 lakh tons. Here is the Third Plan target in the bag, five years ahead of schedule.

The consumption of sugar on the other hand has not shown the corresponding increase. In fact, contrary to the Plan premises, there was a slight fall last year. As against 20.66 lakh tons in 1958-59, consumption last year was only 20.24 lakh tons showing a decrease of more than 40,000 tons from the previous year. It was expected that this year with increased production and better availability, consumption would pick up. But these expectations have not materialised and the current rate of off-take is practically the same as last year. By the end of June, two-thirds of the current sugar season being over the off-take from factories for internal consumption has been 13.31 lakh tons against 13.28 lakh tons for the corresponding period last year.

Huge Stocks Create Problems of Storage and Finance

Increased production accompanied by lower consumption last year left the industry with a large carry over stock of 5.5 lakh tons on November 1, last, against only 153,000 tons a

year earlier. Production this year has reached 29.5 lakh tons and with a further addition of about 25,000 tons before the year comes to a close, it will have reached about 29.75 lakh tons. After accounting for the off-take during the remaining part of the year, I do not expect consumption this year to exceed 20.5 lakh tons. This will leave the Industry with an unmanageable stock of 14.75 lakh tons (less the quantity exported) at the time when the next crushing operations start.

Unless some satisfactory arrangement is made to solve this problem, the future prospects are indeed bleak. Obviously, at the moment export is the only solution. Exports are possible only at a heavy loss because the World Free Market prices are much below our cost of production. Exports can, therefore, be effected only if adequate compensation for the loss involved is provided, and without exports I shudder to imagine the consequences.

We are thankful to Government for having appreciated this position, as a consequence of which the Food Minister announced in the Lok Sabha in April last that the losses involved in further exports would not be borne by the Industry. On our part, we have agreed to share a part of the loss on exports to the U. S. A. Earlier, we had to meet the total loss on the first one lakh tons already sold for exports. Besides in response to Govt's appeal, the industry agreed to implement the Wage Board Award even though both the export loss and increase in wages were not provided for in the controlled price of sugar.

Position Regarding Exports

The actual exports that we have so far been able to contract for do not, however give much cause for comfort. We have so far exported one lakh tons to Malaya and West Asian countries. On present indications, it may be possible to export another half a lakh tons this year, besides the U. S. Quota of about 2 lakh tons, bringing the total to about 3.5 lakh tons at the outside. This will hardly touch the fringe of the pro-

blem. After providing for a carry over of 5 lakh tons, there will still be an exportable surplus of 6.5 lakh tons. This is a burden too big to be carried by the industry and is beyond its maximum financial and storage resources. Unless a sizeable portion of it finds an outlet and quickly, the survival of the industry will be in serious jeopardy. The position is getting so serious that the industry may be forced to curtail production in the next season. The next crushing season is due to start in another three months. According to the reports now available, the sowings are even better than last year's, and, if the present favourable trend continues till harvest time, we will have a bumper cane crop to take care of. And, unless a sizeable quantity of the surplus stocks is taken off from the factories through further exports etc., it may not be possible for them to be ready to start crushing in time. Such a development will cause grievous loss to the industry as well as to millions of canegrowers who have been increasing acreage under cane in the belief that there will be a readily available market for their produce. It will also deal a blow to the developing economy of the country.

Low Per Capita Consumption

But while exports might help in reducing excessive stocks, as a long term solution something has to be done so that the consumption rate internally moves up. It is a well-known fact that our per capita consumption is among the lowest in the World. Against 48.6 kilos in the U. K. and 43.4 kilos in the U.S.A., our per capita consumption here does not exceed 13.9 kilos. This is far short of the level achieved in other countries and is also much less than the minimum of 20.5 kilos considered necessary for a well-balanced nutritive diet for an adult person in this country. There is, therefore, considerable scope for improving the present low rate of consumption here.

While consumption did increase, though not to the estimated extent, till 1957-58, a contrary trend developed in the last two years to which

I have already referred. This is due to the increase in the price of sugar occasioned by increase in the cost of cane and high taxation. That does not mean that the Indian consumer pays a higher price than is the position elsewhere. As a matter of fact the price of sugar in India is lower than in many leading sugar producing countries. The Indian prices are also lower than in most of the neighbouring countries like Pakistan, Ceylon, U.A.R., Cambodia, Japan, Iran and Thailand. But the fact remains that the present prices have checked the rise in consumption and a time has come when it has become necessary to reduce taxation substantially to increase consumption. I venture to suggest that if properly handled, a substantial reduction in Excise duty would not result in loss of revenue to the extent as may appear at first sight. In a great measure it would be off-set by increase in internal consumption. I commend this suggestion for the immediate consideration of Government. Besides, there exist some irksome procedures and practices which tend to discourage consumption and create pockets of artificial scarcity in the country. The removal of these is already overdue. States are raising sizeable revenues from sugar distribution. I would respectfully submit that the time for this is also over and this practice should be stopped forthwith. Another matter demanding attention is the transport bottleneck. I urge greater attention to these problems. These matters if attended to will improve consumption. But this will solve only a part of the problem.

Industry Needs Conditions of Stability

Another factor of major importance to the industry is stability. Prices of sugar must never be allowed to fluctuate violently for many reasons. The most notable is that cane prices must inevitably move up and down with prices of sugar, for cane is the predominant content of the sugar price. Violent fluctuations in cane prices and their effect on our rural economy are extremely undesirable. We must never forget that the cane grower has to plan his crop far ahead of its delivery to the factory. Once planted cane yields more than one crop. So the grower, once he switches over to cane cultivation is committed to it for a number of years. Any violent fluctua-

tions in the cane price would seriously disturb his economy. Variations in cane price should be carefully planned and announced very much in advance. Another reason for steering clear of violent fluctuations is that the industry at present is carrying heavy stocks. If prices vary by Re. 1/- per maund, it would mean a difference of about Rs. 6 crores on the present stocks alone. This may wipe out of existence many marginal factories especially those placed in geographically weak areas.

Backward State of Cane Cultivation

With regard to cane price, this constitutes the highest single item of cost in the production of sugar. Much of its high incidence could be reduced if the present backward state of cane cultivation could be improved. Our average yield of 1.4 tons of sugar per acre makes a poor comparison with the yield of 5 to 8 tons of Hawaii, Java and Formosa. In fact, the yield in North India is about the lowest in the World, and yet covers the largest area in the country and, viewing it from the human angle, involves the largest number of canegrowers. The low yields in the North can be rectified if cane development is undertaken on the requisite scale. We have urged repeatedly that the cane cess realised by the States should be spent entirely on cane development. We have been harping on this theme in season and out. We must state once again in clear and unequivocal terms that if cane development is not undertaken seriously and with all resources at our command the industry in the North will go down and with it the millions of canegrowers who derive their sustenance from sugarcane.

Reassessment of Capacity Necessary

Along with efforts to raise internal consumption we must try to adjust our production in future to our needs so as to avoid repetition of the critical situation that the industry is presently facing. This would underline the need for reassessing the present capacity and the targets for the future. The potential of sugar production in the World today is much greater than its consumption and a vast majority of the exporting countries, and even some of the importers, have regulated and curtailed sugar production. The largest importer of sugar, the U. S., had till recently, statutory restric-

tions on beet and cane acreages. As a matter of fact practically every importing country plans for self-sufficiency in sugar.

The Second Five-Year Plan estimated our consumption for the current year at 22.50 lakhs tons whereas as I have already pointed out, it would hardly reach a level of 20.5 lakh tons. Statistics for the last three years show that our consumption is static. We are now in the first year of the Third Plan, the draft outline of which mentioned a production target of 30 lakh tons. Subsequently, however, Government spokesmen stated that the target was being raised to 35 lakh tons. It came to us as a rude shock, as there have been no developments in respect of internal consumption which could justify a higher target. On the contrary, the trend of consumption would call for a lower target. This trend indicates that even 28 lakh tons consumption will not be achieved by the end of the Third Plan period. It will be sound policy to let the consumption develop before expanding capacity, because capacity when once installed has to be kept going. We have enough stocks and are likely to have them over the next 5 years, to afford a safe cushion for a sudden spurt in consumption. Furthermore, capacity for manufacture of sugar machinery exists within the country. We could instal additional capacity without undue delay or difficulty. There is therefore no need to instal capacity in a rush.

Need for Rehabilitation Allowance

In response to the request of the Industry, Government made a reference of the price question to the Tariff Commission. The Tariff Commission determined regional cost schedules which were very rigid and based on the performance of sampled factories which were above average in all the regions. On top of that the return allowed by the Commission provided only, in the words of the Commission, "sufficient funds for each unit to meet its commitments under bonus, gratuity, interest on borrowed capital and debentures, dividend on preference shares, managing agents' commission and income-tax and finally leave a residue to a large majority of units in all the regions to declare reasonable dividends". From this it is apparent that no margin was left to cover re-

habilitation or to provide for reserves.

I would confine my observations here only to rehabilitation. Rehabilitation is meant to cover the difference between depreciation which is allowed as an item of cost on the original historical costs of assets and the depreciation on the present day replacement costs. After all, depreciation is allowed to enable replacement of assets on expiry of their useful life. The replacement costs have gone up many times and depreciation allowed is quite insufficient to replace useless assets. The difference between depreciation allowed and depreciation on present day costs is a legitimate item of cost and should be recognised as such in determining the price of sugar.

Rehabilitation was disallowed by the Tariff Commission on three short grounds.

- The industry had employed all available funds in expanding capacity to earn more profits.
- It was socially unjust for the consumer to be burdened with rehabilitation.

(c) Rehabilitation cost could be met by borrowings.

It was, however, not realised that reduction in costs achieved by expansion had been neutralised by the Commission working out the schedules with reference to actual costs in 1957-58 which included the economy effected on account of expansion. And then the benefit of reduced costs on utilisation of available funds on expansion went to the consumer alone and it would have been quite in keeping with considerations of social justice, if the consumer paid for the benefit enjoyed at the cost of Industry. Thirdly, if rehabilitation had to be met by borrowings, some margin should have been allowed for servicing these loans and for their repayment. I may clarify here that interest on borrowed capital and debentures allowed by the Commission does not include any additional amount to cover interest on proposed borrowings for rehabilitation.

As stated earlier, the Tariff Commission determined cost schedules on the basis of the relevant data for 1957-58. Since then there have been

major increases in costs which have to be provided for while fixing fair price for sugar. Ours is essentially a controlled industry and a fair price for sugar whether statutory or notional has to be determined by Government. There is thus no escape from determination of cost of production and variations therein every now and again. Because of frequent fluctuations in costs it would not be practical to entrust this determination to the Tariff Commission every time. The Commission prepared its report with reference to the cost for 1957-58 and it was already out of date when it was submitted in 1959. I would therefore, recommend that there should be a standing body functioning all the time presided over by a person of the status of a Supreme Court Judge which should bring the cost of production data relating to sugar upto-date. A standing body like this would ensure upto the minute availability of costs and other relevant data by an impartial body of the highest integrity and repute. This alone would meet the needs of the situation.

Around Bombay Markets

Cotton Quota Fails to Cheer

Thursday, Morning

AT long last New Delhi has released for export a further quantity of 60,000 bales of cotton consisting of 30,000 bales of Bengal Deshi and 30,000 bales of cotton stapling 3/4 inch and below, on a first-come-first-served basis, valid for shipment up to 31st August. Out of this, 1500 bales of each variety have been reserved for co-operative societies in the areas growing such cotton and an individual shipper's ceiling has been fixed at 1,425 bales. The quota now released brings the total quantity allowed for export this season to 2.70 lakh bales of which Bengal Deshi accounts for 1.90 lakh bales.

The announcement of the export quota has failed to please the trade or to cheer the market. The trade is disappointed partly because the quantity allowed for export falls below the general expectations and partly because the announcement has come at a time when export prospects seem far from encouraging. Bengal Deshi superfine which had fetched as much as 26d a lb in December when the first quota was released is now difficult to sell even around 18.5d a lb. Japan which is India's best customer for Deshi cotton does not appear to be the least interested in purchasing any more cotton from India because the importers there have almost fully covered their requirements and there have been reports of large accumulation of stocks at the Yokohama port. Mid-summer is certainly not the time for selling cotton to Japan because of the seasonal decline in mattress business there. Most exporters are of the view that they will have to try hard to sell the present quota to the Continent and U.S. The entire quota is likely to be utilised but at a considerable sacrifice of foreign exchange because Indian cotton cannot fetch good prices at present.

The trade had long been pressing the authorities to release a substantial export quota, particularly for Bengal Deshi because of the large exportable surplus. It is a sad commentary on the Government's export drive and also on

its assessment of the demand and supply position of cotton that it should have taken months to release a further export quota when the supply position of cotton is known to be distinctly comfortable and the country's foreign exchange reserves have fallen to a critically low level. The country has lost a valuable opportunity of earning the badly needed foreign exchange and the blame for this must rest entirely with the Government. The explanation offered by Shri K. C. Reddy that the issuance of export quotas in instalments and the linking of the first quota of Bengal Deshi with sales to domestic mills was a result of the abnormally short crop in the previous season is quite unconvincing. The exportable surplus of Bengal Deshi has very little to do with the size of the total crop. It was known as early as October that Bengal Deshi crop would be substantially larger than in 1959-60. And by December it was fairly clear that the 1960-61 cotton crop would exceed 51 lakh bales.

Policy for New Season

There can be little doubt that the authorities have made a complete mess of export business this season. The trade, however, can derive some comfort from the Union Commerce and Industry Minister's statement that the cotton export policy in future will be framed in such a way as to enable the country to secure the maximum foreign exchange and maintain the continuity of supplies to foreign markets. Shri Reddy said that given a normal crop during the next season it would be possible to announce a quota of a respectable size some time in September or October. He agreed with the trade that the export licensing procedure should be simplified in order to avoid undue hardships to the trade.

Equally welcome are Shri Reddy's other observations on the cotton policy for the next season. It would be possible to dispense with the compulsory survey provided, of course, the 1961-62 crop turns out to be good, said Shri Reddy. And he assured the trade that the dis-

tribution control "will not be maintained a day longer than is absolutely necessary in the context of the supply position." But the Government will take into consideration the views of the Indian Cotton Mills' Federation in taking a decision on the question of distribution control. The Federation has already let it be known that it wants the quota system to stay. Distribution control will help mills to secure their raw material at relatively cheaper prices but there can be no justification for continuing the quota system when the supply position is distinctly comfortable. A few months ago the Federation made some bulk purchases of cotton which were intended to check the declining trend in prices and also relieve the co-operative societies of their burdensome stocks. One wonders whether it was merely official pressure or its concern for growers' interests which induced the Federation to make bulk purchases of cotton. For the Federation's plea for retaining distribution control goes ill with its sympathy for the growers' cause.

Prices Decline

If the latest export quota for 60,000 bales has failed to enthuse the trade it has also left the market cold. Cotton prices, ready as well as futures, have developed further weakness because of the comfortable supply and continued favourable weather reports. Since mills are already carrying very heavy stocks they are evincing poor interest in the spot market at present. Ready prices have declined by about Rs 25 to Rs 35 per candy over the past 10 days or so.

The fall has been particularly pronounced in Surti. Even exportable cottons have suffered a sizable setback. Bengal Deshi fine which was quoted around Rs 740 before the announcement of export quota has declined to around Rs 685. In February this variety was quoted around Rs 900. Prices of new crop Bengal Deshi are reported to be substantially lower than the lowest rates recorded by Deshi in the current season. Deshi, Dhuri line, is quoted at around Rs 60.75 per

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VOL. 1, NO. 24
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August 5, 1961

maund against the current season's low of Rs 64.

Futures displayed marked weakness, with the maturing August contract down from Rs 578.50 to Rs 568. The distant March contract was marked down from Rs 593.75 to Rs 587.75 but it rallied to Rs 591.25 near the week-end. Apart from weaker spot advices the decline in the maturing contract was also due to the revision of tendering differential for certain varieties under appeal. The "off" allowances for Laxmi A, Cambodia B and Cambodia C have been reduced by Rs 12 per three quintals. This, it is believed, will lead to more tenders, particularly in Laxmi A. Tenders issued on the first notice day, however, totalled only 250 bales consisting of 100 each of Laxmi A and Cambodia B and 50 bales of Buri American.

Oilseeds

Subdued Tendency

OILSEEDS futures last week fluctuated irregularly in a narrow range with a subdued tone. The easier sentiment reflected partly the poor export performance in respect of castor oil and partly continued favourable weather reports from the groundnut producing areas. It is much too early to talk about the new groundnut crop though all the indications so far are for a larger crop. Groundnut March which had started at Rs 225 (per 250 kilos) on 7th July had gradually eased to Rs 219 on 24th July. After rallying to Rs 222.75 on the 27th rate eased again to Rs 219.12 on 2nd August. Groundnut oil January has eased from Rs 18.45 to Rs 18.25 (per 10 kg) over the week.

Spot prices have eased but only slightly because of the tight supply position. Castor March which had rallied from Rs 170.62 to Rs 172.37 early in week eased again to Rs 170.12 and closed a little better at Rs 170.75. The nearby September contract showed a net loss of a rupee over the week at Rs 170.12 after being sold down to a new low of Rs 169.12. Intermittent rallies were caused mainly by short covering and modest bull support induced mostly by technical considerations. Export houses did not mention any important fresh business in oil; nor do shippers seem very hopeful of putting

through further large business in the near future. Linseed were also slightly shaded with the September contract easing from Rs 40.50 (per 50 kilos) to Rs 39.75 and the distant March contract from Rs 38.31 to Rs 38. Cottonseed held comparatively selling but without much activity.

Export business put through last week was again virtually confined to groundnut extractions. The U K and Hungary were stated to have purchased substantial quantities of extractions with the U K paying £ 32.5 to £ 31.17½ per ton. Prospects of further business are considered to be satisfactory. Poland is mentioned as a prospective buyer for nearly 10,000 tons. The U K was said to have purchased small quantities of linseed cake at around £ 33.15 and some business was also reported done in cottonseed decorticated variety around £ 30. Business in cottonseed has become possible as a result of the incentive scheme under which exporters of 9 tons of cottonseed cake are allowed to import one ton of copra. Hardly any business was reported in castor oil, with the U K quotations mentioned around £ 131 for BSS and £ 121 for Commercial.

Stock Exchange

Downtrend Nearing End

ON 31st July *Vyapar's* equity share index for Bombay touched a low of 139.03 which brings it very close to the important April bottom of 138.36, lying halfway between the January low of 127.19 and the June high of 150.83. The reactionary trend which has retraced nearly half of the ground gained in the major bull phase has been in progress for nearly 7 weeks. Both the duration and the amplitude of the recent decline hold out the prospect of an early end of the corrective phase. Perhaps the worst has already been seen because market men reported considerable amount of 'distress' selling last week. The fall that occurred on 31st July, the opening day of the new stock exchange account, was caused essentially by 'distress' selling. The corporate news has been encouraging and the carryforward charges on Friday and the emergence of backwardation charges in respect of certain shares in kerb had indicated that the market had not only been

THE ECONOMIC WEEKLY

thoroughly liquidated but it was in an oversold position.

The marked decline in deliveries of shares at the end of the previous settlement and the low carryforward charges at the end of the recent settlement suggest that the technical position of the market is now quite sound. It is significant to note that between 14th and 31st July *Vyapar's* equity share index lost no more than 1.57 points despite the so many daily up and down movements. For the index had touched a low of 140.60 on 14th July. This indicates that the decline in equities since about the middle of July has been very reluctant. And during this period institutional investors are reported to have made sizable purchases of selected scrips which also include some popular counters like A C C and Bombay Dyeing.

Gains Erased

The sharp decline in equity prices between July and October last year and the recent fall which has erased nearly 50 per cent of the gains recorded since the turn of the year underline the self-adjusting mechanism that the market contains within itself to correct its errors of optimism and pessimism. The authorities, which, of late, have been feeling considerably exercised over the rising trend in equity prices would do well to take note of this phenomenon and avoid unnecessary interference in the market.

With the corporate news continuing to be encouraging and the volume of investible funds steadily growing, the stock market can be expected to continue to push its way up with occasional setbacks now and then. Whether Wednesday's rally (2nd August) marks the beginning of the new intermediate bull phase is still uncertain, but the end of the corrective phase cannot be far off.

Bullion

Prices Harden

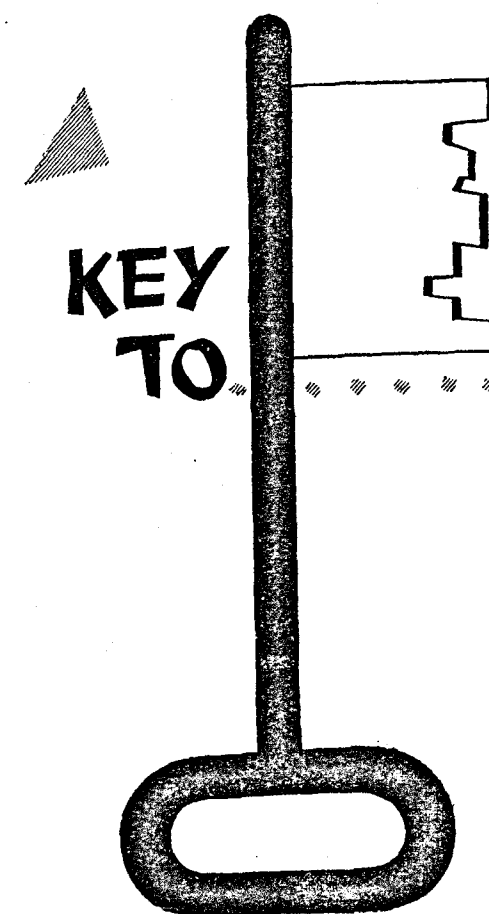
BULLION prices last week recorded further gains on short covering and scarcity of offerings. Sentiment was helped by steadier advices from Calcutta and other upcountry markets. Traders reported improved demand for silver from Rajasthan while arrivals were said to be on the decline. Gold Bhadrava delivery improved gra-

THE ECONOMIC WEEKLY

dually from Rs 119.80 to Rs 120.90 and Wednesday's closing rate was only slightly lower at Rs 120.70. Silver Bhadrava delivery which had eased from Rs 201.50 to Rs 200.95 early in the week advanced later to 202.65 and wound up the

week at Rs 202.30. Calcutta figured as an important buyer in silver during the week. Spot gold which was quoted at a premium of 15 nP per 10 grams over the futures rate earlier in the week was later quoted at a discount of 10 nP. The

discount on spot silver ranged between 35 nP and 25 nP. The floating stocks of gold and silver in Bombay are currently estimated around 25,000 tolas and 1,000 bars respectively.



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Company Note

TELCO

TELCO recorded all round progress in 1960-61. The working results for the year ended March 31, 1961 show a spurt in production, sales and profit. The ratio of profit to sales, however, shows a slight decline.

Production of diesel vehicles has increased from 8,300 in 1959-60 to 10,435 in 1960-61, of steel castings from 3,764 tons to 4,941 tons, and of alloy iron castings from 3,344 tons to 4,987 tons. There was, however, a slight decline in the production of boilers from 100 to 92, of locomotives from 101 to 96 and of steel ingots from 10,262 tons to 8,489 tons.

Even so, sale of products and services shows a jump from Rs 28.25 crores to Rs 37.55 crores, and gross profit from Rs 4.08 crores to Rs 5.17 crores. Thus total sales have increased by 33 per cent and gross profit by 26.7 per cent. The ratio of profit to sales declined from 14.4 per cent to 13.0 per cent.

TELCO's net profit has increased from Rs 128.27 lakhs to Rs 190.45 lakhs. Taxation has absorbed Rs 122.23 lakhs against Rs 93.30 lakhs, depreciation Rs 180 lakhs against Rs 161 lakhs, and managing

agent's remuneration Rs 23.81 lakhs against Rs 25.24 lakhs.

Adding to the net profit a sum of Rs 2.24 lakhs brought in and Rs 10.55 lakhs transferred from revenue reserves, the total amount available for appropriation works out at Rs 203.24 lakhs.

From this amount, the directors have transferred Rs 44.88 lakhs (Rs 14.04 lakhs) to development rebate reserve, Rs 8.40 lakhs (Rs 6.00 lakhs) to deferred taxation reserve and Rs 21.74 lakhs (nil) to general reserves, leaving a sum of Rs 115.43 lakhs for distribution as dividend.

In addition to a preference dividend of Rs 5.55 per share for the year, the directors propose to distribute Rs 0.55 per share for the year ended March 31, 1960 from out of the profits for 1960-61. Preference Dividend for 1960-61 will absorb Rs 8.88 lakhs and the additional dividend for 1959-60 Rs 88,000. The total distribution on this account thus works out at Rs 9.76 lakhs (Rs 8.00 lakhs).

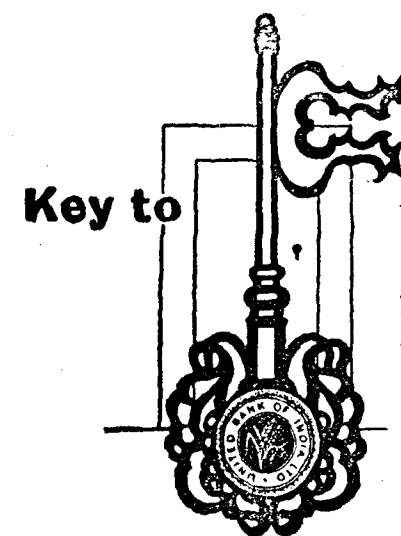
Ordinary dividend will absorb Rs 115.19 lakhs against Rs 99.74 lakhs. For this purpose, Rs 31.25 lakhs will be paid out of Section 15 C. Such payment will leave a balance of Rs 2.47 lakhs to be carried forward.

The company's reserves and surplus at Rs 2.41 crores constitute nearly 25 per cent of its paid-up capital of Rs 10 crores. Fixed assets increased during the year by Rs 3.13 crores, bringing the total to Rs 24.55 crores. After deducting a provision of Rs 11.17 crores made so far, the net value of assets works out at Rs 13.34 crores.

TELCO has completed the expansion programme to manufacture 12,000 vehicles a year. The company will now embark on a Rs 18 crore programme to double the annual output to 24,000 vehicles. The programme will be completed towards the end of 1964.

New Concrete Dumpster

PREMIER Automobiles, Bombay, have developed a concrete dumpster to be mounted on their Dodge and Fargo 119" w b diesel truck chassis. The dumpster has an all-steel, welded container which can carry 2½ cub yards ready-mixed concrete. All sides and corners of the container are radiused to prevent sticking of concrete. It has a "Telehoist" under-body, tipping mechanism operated hydraulically from driver's cabin with all controls conveniently located in the cab within driver's easy reach.



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CURRENT STATISTICS

BANKING RETURNS

Reserve Bank	July 28	July 21	June 30	July 29 '60
1 Note circulation	1890.76	1911.95	1933.41	1794.00
2 Rupee coin	123.93	122.18	120.52	131.06
3 Deposits	290.97	300.39	284.87	352.59
(a) Central Govt	77.09	53.02	59.68	67.05
(b) Other Govts	20.56	31.35	15.18	22.62
(c) Banks	81.71	103.46	94.73	124.74
(d) Others	111.61	112.56	115.27	138.19
4 Foreign securities	93.01	93.01	103.01	128.01
5 Balance abroad	5.03	8.47	10.78	25.22
6 Rupee securities	1587.22	1597.05	1636.93	1451.57
7 Investments	241.11	248.88	189.49	258.85
8 Loans and advances to Govts	40.87	40.65	34.30	30.52
9 Other loans and advances	114.80	113.60	130.41	112.29
Scheduled Banks	July 21	July 14	June 23	July 22 '60
1 Aggregate liabilities	1869.63	1859.81	1844.32	1965.61
2 Aggregate deposits (net)	1794.76	1783.46	1768.66	—
(a) Demand (net)	719.78	720.08	706.34	781.62*
(b) Time (net)	1074.97	1063.38	1062.32	1183.99*
3 Cash in hand	40.19	47.04	47.62	42.12
4 Balance with Reserve Bank	100.09	90.86	73.64	107.08
5 (3)+(4) as % of (1)	7.82	7.41	6.57	7.84
6 Borrowings from Reserve Bank	1.92	4.85	11.59	27.18
(a) Against usance bills and/or promissory notes	1.01	3.42	8.48	13.05
(b) Others	0.91	1.43	3.11	14.13
7 Advances	1090.69	1102.19	1090.55	965.71
(a) State Bank	240.73	245.58	248.31	197.42
(b) Others	849.96	856.61	842.24	768.29
8 Bills discounted	111.69	113.51	132.35	102.60
(a) Inland	43.76	42.89	45.39	44.82
(b) Foreign	155.45	156.40	177.74	147.42
(c) Total	14.09	14.09	14.17	12.85
(i) State Bank	141.36	142.31	163.57	134.57
(ii) Others	—	—	—	—
9 (7)+(8c) as % of (1)	66.65	67.67	68.77	56.63
10 Investment in Govt securities	574.08	551.06	545.39	733.56
11 (10) as % of (1)	30.71	29.63	29.57	37.32
Cheque clearance	207.99	204.50	200.08	185.24

* 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

(Selected Scheduled Banks other than the State Bank)	July 21	July 14	June 23	July 22 '60
Call Money from banks	2.88	3.84	4.30	3.50
Deposits:				
Seven days	3.00	3.00	3.00	3.36
Three months	—	—	3.50	3.50
Six months	3.73	3.75	3.75	3.49

Bombay Bullion

(Rs and nP)	Aug 3	Aug 27	July 6	Aug 4 '60
Gold (per 10 grammes)				
Spot	120.25	120.45	120.90	113.30
Forward	120.65	120.25	119.45	111.69
Silver (per kilogram)				
Spot	201.50	201.00	201.20	190.22
	200.70	201.30	202.45	187.88

JUTE

Production, Stocks and Despatches of Gunnies (000 Metric Tons)

	May '61	April '61	Mar. '61	July '60
Production				
Hessian	28.9	27.9	29.9	347.2
Sacking	38.8	41.1	46.9	501.5
Others	11.9	11.5	12.1	106.5
Total	79.6	80.5	88.9	955.2
	(93.1)	(92.4)	(92.6)	(10,00.9)
Equivalent Jute consumption in lakh bales	4.40	4.58	5.0	54.51
	(5.35)	(5.38)	(5.43)	(57.78)
Stocks				
Hessian	35.1	28.4	25.0	—
Sacking	45.1	49.6	47.0	—
Others	13.4	14.4	14.4	—
Total	93.6	92.4	86.4	—
	(73.1)	(77.8)	(83.1)	(83.4)
Despatches*				
Hessian	23.1	24.5	29.4	350.3
Sacking	42.4	38.6	48.5	491.9
Others	12.1	10.8	9.5	95.6
Total	77.9	73.9	87.4	937.8
	(86.8)	(86.9)	(93.5)	(10,18.5)

IJMA Purchases of Raw Jute

	June	May	April	June
From India	216	263	363	41.18
	(356)	(391)	(450)	(53.91)
From Pakistan	3	—	5	296
	(33)	(137)	(9)	(600)

Note: 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: Indian Jute Mills Association, Calcutta.

INDEX NUMBER OF WHOLESALE PRICES

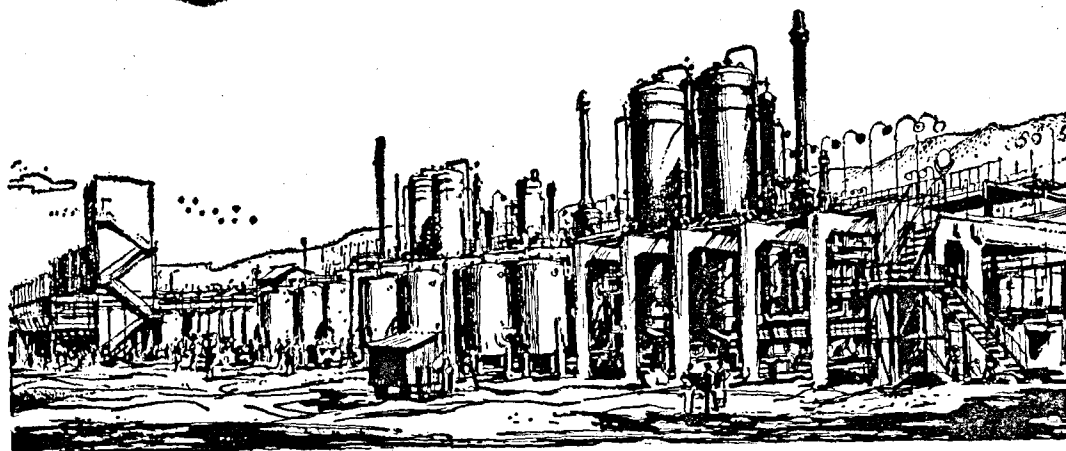
(Base: 1952-53=100)

	June 1961	May 1961	April 1961	June 1960
Food Articles	120.5	117.2	118.6	120.3
Cereals	101.9	99.5	103.8	107.3
Pulses	90.6	87.3	89.4	89.7
Fruits & Vegetables	125.7	122.0	136.7	122.2
Milk & Ghee	113.6	113.9	114.7	119.9
Edible Oils	163.3	159.6	138.2	139.7
Fish, Eggs & Meat	128.0	127.3	118.0	119.8
Sugar & Gur	123.7	120.1	139.7	137.7
Others	180.2	167.4	159.9	161.2
Liquor and Tobacco	100.1	104.1	103.1	109.5
Tobacco	96.6	100.9	101.2	108.0
Fuel, Power, Light & Lubricants	121.5	121.4	118.1	119.1
Industrial Raw Materials	148.7	152.9	134.2	139.7
Fibres	150.9	165.1	130.0	142.6
Oilseeds	160.5	156.6	141.4	144.4
Minerals	95.2	95.4	98.2	98.0
Others	126.0	126.5	130.7	128.2
Manufactures Intermediate	125.4	126.4	117.8	120.0
Products	139.7	136.9	123.2	127.2
Finished Products	123.1	124.7	116.9	118.8
Textiles	124.8	127.8	116.3	119.9
Cotton	126.2	126.6	124.6	126.0
Jute	125.1	137.1	103.0	113.1
Woollen	123.7	119.1	104.2	110.1
Silk & Rayon	116.5	115.3	102.5	102.7
Metal Products	146.9	146.9	148.3	148.3
Chemicals	108.8	107.5	104.5	104.6
Oil cakes	143.4	142.3	139.1	132.0
Machinery & Transport Equipment	112.7	112.8	111.0	111.3
Others	118.8	118.7	114.7	114.7
All Commodities	125.9	125.3	120.4	123.0

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SUMMARY OF THE LATEST ALL-INDIA CROP ESTIMATES, 1960-61

Crop	Estimate	Released on	Area (Thousand acres)			Production (Thousand Tons)		
			Current Estimate	Previous year's corresponding adjusted estimate	Percentage increase or decrease	Current Estimate	Previous year's corresponding adjusted estimate	Percentage increase or decrease
Rice	Final	7-4-61	83,335	82,829†	+0.6	33,700	30,963†	+8.8
Jowar	Second	18-4-61	40,662	40,568	+0.2	—	—	—
Bajra	First	5-1-61	25,339	26,430	-4.1	—	—	—
Maize	First	5-1-61	9,803	9,941	-1.4	—	—	—
Ragi	Final	3-5-61	5,760	5,964†	-3.4	1,640	1,904†	-13.9
Wheat	First	30-3-61	31,159	31,136	-0.07	—	—	—
Barley	First	21-3-61	7,974	8,216	-2.9	—	—	—
Small Millets	First	7-2-61	9,377	9,279	+1.1	—	—	—
Gram	First	30-3-61	23,856	24,274	-1.7	—	—	—
Tur	Second	7-4-61	5,721	5,749	-0.5	—	—	—
Kharif pulses other than Tur	First	6-11-60	12,442	12,707	-2.1	—	—	—
Sugarcane	Second	30-11-60	5,702	5,139	+11.0	—	—	—
Groundnut	Final	19-4-61	15,455	14,864†	+4.0	4,354	3,492† **	+10.5
Castorseed	Final	19-4-61	1,135	1,168†	-2.8	98	106†	-7.5
Sesamum	Third	11-4-61	4,904	5,155	-4.9	—	—	—
Rapeseed and Mustard	First	27-2-61	2,604	2,806	-7.2	—	—	—
Linseed	First	17-2-61	3,172	3,226	-1.7	—	—	—
Tobacco	First	15-3-61	881	865	+1.8	—	—	—
Cotton	Second	12-1-61	16,595	17,162	-3.3	—	—	—
Jute	Final	30-1-61	1,529	1,685†	-9.3	4,030*	4,605*	-12.5
Mesta	Final	1-5-61	694	704	-1.4	1,147*	1,118†	+2.6
Sann-hemp	First	8-2-61	688	747	-7.9	—	—	—
Black-Pepper	Final	19-4-61	234.7	233.8	+0.4	26.2	26.3	-0.4

* Thousand bales of 400 lbs each

** In terms of nuts in shell.

† Partially revised estimate

Source: Economic and Statistical Adviser to the Government of India, Ministry of Food and Agriculture.

WORKING CLASS COST OF LIVING INDEX

(Monthly Average or Calendar Months)

	Bombay		Madras		Kanpur		Delhi		Calcutta		All-India (average)	
	F	G	F	G	F	G	F	G	F	G	F	G
1961: Apr	140	139	147	149	89	99	123	125	109	111	123*	123*
Mar	139	138	146	148	92	101	122	124	109	112	123*	124*
Feb	138	137	144	148	92	102	122	123	109	111	122	123
Jan	139	136	143	146	91	100	120	122	108	110	123	123
1960: Dec	140	136	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
Apr	143	137	138	138	90	97	116	117	112	112	123	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

* Provisional

F = Food

Source: Central Statistical Organisation, Government of India, New Delhi.

adequately fulfil the social purpose or fail to secure the economic aims of planned development, they have to be replaced or transformed."

How, one may ask, has this unexceptionable principle been applied in securing the objective of distribution of economic power? A 'decisive instrument' for this purpose is, according to the Plan, the rapid expansion of the public sector. As long as one does not, like Mahatma Gandhi, hold that the concentration of economic power in the hands of the State is a remedy worse than the disease, this is surely a right step to take. But when we look at the extension of the public sector envisaged in the Third Plan, we find this 'decisive instrument' blunted by an unwillingness to disturb existing arrangements in a variety of fields. By and large, it is in the fields of power, transport and organised industry that the Government sector will grow in size. Even if all that is planned for public enterprises in these sectors is achieved, Government will, at the end of five years, have under its direct control a smaller segment of the economy than the private sector. Not, of course, smaller than at present but relatively to what the private sector will be five years hence. This is not only because agriculture will remain in the private sector. The bulk of trade, industry, construction and finance will still be in private hands, and the extension of the public sector will not by itself curb the forces making for concentration of economic power in these areas.

The Planning Commission is, of course, aware of this problem. And it goes on to say that redistribution of economic power within the fields of activity entrusted to the private sector should be brought about by ensuring broadbased ownership in industry, diffusion of enterprise and liberal facilities for new entrants and growth of co-operative organisations. It adds blandly that the means for achieving these objectives are already there; they only need to be employed more purposefully and with greater co-ordination than in recent years. But this is the main point. What has, in fact, prevented these means from being used to greater purpose? Why is it that, despite fifty years or more of support to the co-operative movement, co-operative

enterprise has not taken more effective shape? Why have all the special efforts made to disperse industry been unsuccessful in preventing existing agglomerations from getting bigger? Has the programme for developing small-scale industrial units in reality contributed to a redistribution of economic power? A host of such questions arise when one reviews the trends so far; and if one probes into these questions, it will be easily seen that the reason for the ineffectiveness of the means already adopted is that many of the attitudes and institutions which work against the transfer of economic and social power to the small man, whether he is in agriculture or industry or trade, remain unaffected by ten years of planning. And as far as one can see, few, if any, of these will be replaced or transformed in the near future by deliberate action.

Take the programme for co-operatives, which are considered to be 'one of the principal means for bringing about changes of a fundamental nature within the economy' (p 200.) It would be a travesty of fact to say that the co-operative movement is, in its present shape, fulfilling its purpose. Yet, the Plan report scarcely pauses to examine the elements in our society or economy which have transmogrified the co-operative movement into something very much like a vested interest. Instead of seeking out the 'institutions'—using that term in the fundamental sense of organisations or relationships sanctified by law, custom or religion—which have tended to make co-operatives subservient to the interests of the already strong and suggesting ways and means of replacing or transforming them, the Plan proceeds to lay down a programme for doing more of the same old things. All that needs to be done, apparently, is to provide more funds and more training facilities to co-operators; the rest is left to emerge as 'the processes of economic and social change gather force and the rural community attains higher levels of skill and productivity' (p 201). Which, then, is to be the instrument and which the outcome?

Instances such as this, where attention is focussed on polishing the shell rather than on trying to alter what is contained within, may

be found in plenty in the Plan. It is taken for granted, for example, that our structure of direct taxes is already fashioned adequately to ensure both growth and social justice; what remains is merely a matter of checking evasion and avoidance of taxes. No question is raised about the appropriateness in a socialist order of the philosophy of incentives underlying the policy for direct taxation. Further increases in direct taxation are presumably to be avoided to the extent possible so as to avoid adverse effects on private incentive and effort. One would have liked to see an emphasis in this context on the need to transform the operative incentives. Elsewhere in the Report, in the chapter on Labour Policy, the Commission has this to say, "Economic activity has not to be conceived of solely in terms of output and return; the principal test of this would be the good of all those who are engaged in it, the quality and growth of the individual human being and the service and happiness of the entire community. The surpluses that are generated are a social product, to which neither the employer nor the working class can lay any exclusive claim; then distribution has to be according to the worth of the contribution of each, subject to the requirements of further development and the interests of all sections of society, in particular, the satisfaction of the basic needs of all its members". How are these tests applied to the payers of direct taxes? Are present levels of post-tax income of wealth to be taken as adequate measurements of the 'worth of the contribution of each' to the social product?

On questions such as these, the final report throws no more light than the Draft Outline did, which is a great pity. Time and again, the report is frank enough to admit that the success achieved by various policy measures in removing the 'long-established features of a traditional society' inimical to dynamic growth has been less than hoped for. The Commission has stopped short of taking the next logical steps. Whatever may have been the immediate pressures on the Commission to hold itself back, this is certainly not a tactic that fits into the grand strategy of socialist development.

Evasion, Not Decision

THE way the Executive Committee of the Congress Parliamentary Party has tried to settle or rather to get over the issue of electing a deputy leader of the Party after so many weeks smacks more of evasion than decision. The Committee has favoured the idea of having two deputy leaders, one to function in the Lok Sabha and the other in the Rajya Sabha. And the article in the Party constitution, which lays down that the deputy leader shall perform all the functions of the leader in the latter's absence, is to be unceremoniously deleted. That means a duality not only of office but also of function and authority, ending at one stroke the old concept and significance of the office of deputy leader. It has now become more an arrangement of convenience than a position of influence and expectation; but in becoming so, can it be said to have taken the edge off the earlier contest for the post or dealt with the root cause of all the controversy and scramble? In the normal course, the issue would in all probability have been deferred further, perhaps until after the next elections, as senior members of the Party would appear to have advocated. But the Prime Minister's projected trip abroad made some kind of settlement of the problem imperative if only to provide for a patchwork arrangement to operate in the absence of the leader. That has been done while the basic question itself, the real cause of the disharmony and rivalry over the deputy leadership, has been left undecided.

The deputy leader of the old dispensation, performing all the functions of the leader whenever needed, was not unnaturally presumed to be in the direct line of succession to the leadership of the Party, and, by virtue of that, to the office of Prime Minister too so long as the Party commanded a majority in Parliament. When men not so much concerned about future possibilities occupied the position of deputy leader in the past not only by seniority but also by outstanding merit or unquestioned pre-eminence, the election involved was more a matter of routine than of any special interest. But with members of the old guard no longer in the picture and with none in the second line

of leadership proving to be the obvious choice, some lobbying for the deputy leadership was only to be expected, the more so because of the reluctance in higher quarters to face the issue of future leadership squarely.

If for some reason or other, whatever it be, there was no intention at the top to decide the order of succession, it could well have been left to the Party ranks to settle it one way or other. Not to have followed either of the alternatives and actually to have bypassed or shelved

the basic issue do not bode well for the future of the Party. Time is not always a healer, and in a case like this where ambitions have been roused and bickerings provoked, the passage of time may actually aggravate matters. And neither is it so certain that duplication of the office of deputy leader will deprive it of all its attraction to contenders for power. At least one of the two offices, that of deputy leader in the Lok Sabha, is likely to be invested still with some meaning, rightly or wrongly, and the fight for it may well be fierce if the old contenders do not choose to sit back and leave the field to lesser fry.

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Weekly Notes

E C M : Commonwealth Fears and Hopes

THE resistance in the Commonwealth to the idea of British entry into the Common Market has not prevented Mr Macmillan from announcing his Government's decision to seek membership of the E C M. Mr Macmillan made it quite clear that the British application was required by E C M rules as a preliminary step to the opening of negotiations on the terms and conditions on which Britain could enter the Common Market. He emphasised that British entry would be conditional on the results of these negotiations, and assured members of the Commonwealth that he would try to ensure that their interests were safeguarded. It is clear that the bargaining on this question will be hard and protracted. The present members of the Common Market are eager that Britain should subscribe to the Rome Treaty. Though there were some indications at first that they might not welcome the idea of Britain trying to impose conditions prior to entry into the organisation—there were clear hints that Britain should accept all the obligations of E C M membership first and then try, if she wished, to influence the overall policies followed by the group—it is clear now that these countries have reconciled themselves to the fact that they will have to make some concessions to the fact of British connections with the Commonwealth if they are to succeed in enlarging the Common Market to include Britain. For various reasons they are eager to obtain British association with them in the Common Market. It is this that suggests that the negotiations will ultimately be successful.

This does not mean that opinion in Britain is unanimous in supporting the idea of British entry into the Common Market. Labour Party spokesmen have made it clear that they are reserving their judgement until the results of the negotiations are known. Powerful industrial interests are also opposed to the move, and in this they are supported by the agricultural interests, believers in the role of the Commonwealth who think that the

Commonwealth would be weakened and those who feel that the British system of parliamentary democracy and the British way of life would be destroyed by the political future for Europe envisaged in the Rome Treaty. It is, therefore, still too early to say whether the British application for entry into the Common Market will mature into actual membership in the near future.

The Commonwealth countries, in determining their attitude to the question, must, of course, distinguish between the effects of a possible loss of the special privileges they have so far enjoyed in the British market and the consequences of possible discrimination against them under the Common Market arrangements. Against the former, they should really have little cause to complain, though this need not mean that the loss of special privileges may not be quite serious. It is clear that the Commonwealth countries must reconcile themselves to the need to compete on equal terms with others in the export markets of the world though they are no doubt entitled to ask that transitional arrangements should be devised to make possible necessary adjustments in their own economies. They must, however, raise their voices powerfully against the raising of discriminatory barriers against them by the Common Market. They may stand to gain on the balance if the pressure of their opinion results ultimately in the reduction of tariff barriers against their export to all the members of the Common Market after Britain has entered the group. If quota restrictions on their exports to these countries are eliminated or reduced as a result of British influence in the councils of the European Economic Community, the change will certainly be

for the better. Mr Macmillan's statement of July 31 may, therefore, be of momentous significance for the future of world trade.

Money Supply

VARIATIONS in money supply, monthly and during slack and busy seasons, have been published by the Reserve Bank of India for some years now in its monthly *Bulletin*. In the issue of the *Bulletin* for July 1961, the Bank has attempted, for the first time, a full-length detailed study of this subject. The concept of money supply in India is defined and its scope indicated; this is followed by a discussion of the mechanics of money supply variations. The study then "analyses", in the light of this discussion, money supply variations during the period 1951-52 to 1960-61.

The formulation of economic and monetary policies is doubtless facilitated if the statistical data, which serve as reliable indicators of the current state of the economy, are available in time. And data on money supply variations are among those which can be had with the least time-lag, and also throw light on aspects of the economy which are of considerable importance to governmental and monetary authorities.

The study concentrates on the operational concept of money supply, i.e. one which analyses the flows of purchasing power between the public and private sectors. Hence money supply with the public, that is, all categories of holders of money other than the government and the banking system, is defined as consisting of (i) currency notes and coins with the public, excluding the balances of Central and State Governments held at treasuries, and cash on hand of Scheduled and reporting Non-scheduled banks and

State Cooperative banks, (ii) the demand deposits (excluding inter-bank demand deposits) of Scheduled and reporting Non-scheduled and State Cooperative banks, and (iii) the "other deposits" (excluding the balances in Account No 1 of the IMF) held with the Reserve Bank of India. Thus, money supply with the public consists of a currency component (notes and coins) and a deposit component (demand deposits with banks and other deposits with the Reserve Bank). That is, money supply constitutes the liability of the banking system as a whole (comprising Reserve Bank and Scheduled, Non-scheduled and State Cooperative banks), as well as, to a small extent, the liability of the government to the public.

Now, variations in the monetary liabilities of the banking sector would be reflected in corresponding variations in its financial assets and net non-monetary liabilities (i.e. share capital, reserves etc.). These latter sets of variations can come about as a result of the banking sector's transactions with the governmental and private sectors. It is admitted—unabashedly—that separate data regarding all the transactions of each of these two sectors with the banking sector are not available, apart from certain other lacunae of our monetary data.

Within such limitations, the data presented are significant. During the First Plan period (see Table), money supply increased by Rs 199 crores. It fell in the first two years, then increased swiftly to Rs 264 crores in 1955-56. The government sector accounted for an increase of Rs 245 crores, and the private sector for Rs 106 crores; variations in the net foreign exchange assets and the net non-monetary liabilities of the banking sector were responsible for decline in money supply of Rs 96 crores and Rs 57 crores respectively. Such data as are available show that the governmental sector was responsible for a decline in the banking sector's net foreign exchange assets of some Rs 559 crores, the private sector for increase of Rs 463 crores. If account is taken of this factor, government would account for a decline in money supply of about Rs 314 crores; the increase on account of the private sector would be Rs 569 crores.

During the Second Plan, money supply increased by Rs 722 crores.

Government accounted for an increase of Rs 1401 crores, and the private sector, Rs 50 crores; changes in the net foreign exchange assets of the banks led to a decline of Rs 665 crores: Rs 329 crores for government and Rs 336 crores for the private sector.

It is to be hoped that the Reserve Bank would follow up this study with attempts to fill the numerous gaps in our monetary data which this study has revealed. It has not been made clear to what extent the present computations are in improvement on the money supply data which the Bank has been releasing so far. It is also a pity that, coming so long after the Radcliffe Report, there is no attempt, at least not yet made public, by the Reserve Bank to formulate certain broad orders of magnitude of the other instruments of exchange, which are or are not money depending on the state of the economy, in very general terms.

Dwindling Reserves

WHATEVER cards Shri Morarji Desai may have up his sleeve, he revealed none in his statement on the foreign exchange situation in the Lok Sabha on Wednesday. The Finance Minister dwelt at some length on both the immediate problem of dwindling exchange reserves and the longer-term problem of ensuring adequate foreign assistance to meet the needs of the Third Plan. However, the various difficulties he recounted and the counter-balancing hopeful developments he pointed out have all been fairly common knowledge for the last many months.

The loans received earlier this year from the U K and West Germany, which were straightaway credited to our foreign balances, have somewhat obscured the extent of decline in our foreign exchange reserves in the first four months of the current financial year. If credit were not taken for these loans, the decline in our reserves during April-July would have been of the order of Rs 68 crores. It is, of course, customary for our reserves to decline in the summer and monsoon months and then to recover some of the lost ground in the next winter. But, as the Finance Minister acknowledged, the sharp decline in reserves during the last four months cannot be attributed entirely to seasonal variations. Thus, during the first quarter of the

financial year, exports were about Rs 25 crores higher than in the corresponding period last year. That notwithstanding, the decline in foreign balances was Rs 26 crores more than in the period April-July last year. This is explained by the steadily rising level of imports geared not to seasonal factors but to the progress of industrial development.

To offset the decline in reserves, we have drawn the equivalent of \$ 250 millions from the IMF. The entire amount, however, will not be added to our foreign balances. The equivalent of \$ 127.5 millions has to be returned to the Fund in repayment of an earlier debt. This leaves \$ 122.5 millions or about Rs 58.3 crores to be added to our balances, which would, as a result, be hitched up to about Rs 153 crores. Thus, much leeway would still remain to be made up if our reserves are to reach the level of Rs 200 crores, which is what Shri Morarji Desai is aiming at, by the end of the winter months, so that we may be able to face the next lean period with a measure of equanimity.

Hopeful Portent

ON the prospects of foreign assistance for the Third Plan, the Finance Minister was hopeful. His guarded optimism stemmed both from the quantum of assistance that has already been committed by different countries and from the "quickenings of world conscience" as reflected in the scale and terms of aid offered. The foreign exchange position, as it stands now, may be briefly summarised here. The Draft Report—and it does not differ in this respect from the Draft Outline, presented in May last—takes the total external assistance required for the Third Plan at Rs 2600 crores, exclusive of P L 480 assistance. The carry-over of aid received for Second Plan projects to be completed in the Third Plan amounts to Rs 368 crores. In addition, agreements have been concluded with the Soviet Union, Czechoslovakia, Yugoslavia, Poland and Switzerland for credits totalling Rs 305 crores. If credit is also taken for the assistance granted by the U K and West Germany as per agreements signed with them early this year, before the meeting of the Aid-India Consortium, the total external aid available for the Third Plan, including the carry-over from the Second Plan, amounts to Rs 765 crores.

Money Supply with the Public (Rupees Crores)					
	Outstandings as on March 30, 1951	1951-52 to 1955-56 (Variation)	Outstandings as on March 30, 1956	1955-56 to 1960-61 (Variation)	Outstandings as on March 31, 1961
1 Currency with the public ¹	1,329.0	+166.2	1,505.2	+527.0	2,026.9
2 Other deposits with the Reserve Bank ²	26.0	— 14.0	12.0	+ 6.8	19.0
3 Bank money	620.7	+ 46.5	667.2	+188.6	855.8
4 Money supply with the public (1 + 2 + 3)	1,975.7	+198.7	2,184.4	+722.4	2,901.7
¹ Excludes Rs 43.17 crores of India notes returned from Pakistan and awaiting cancellation.					

The country's hopes of raising the required foreign resources are mainly pinned on the Aid-India Consortium, which has so far promised \$ 2286 millions or about Rs 1100 crores. The amount is intended to "enable India to launch her Third Five Year Plan" with "confidence in the ultimate achievement of its objectives". Almost the entire amount is meant for commitments to be entered into in the first two years of the Plan. The Communique issued by the World Bank after the Consortium meeting in June clearly indicated that the aid was for the Plan as a whole and not for specific projects. This is a significant departure from the practice followed hitherto by the lending countries of separately examining and approving each project that they agreed to finance. The new approach to lending is also more in keeping with India's changing needs because as the general industrial structure of the country gets filled in and basic capacities are established and, consequently, the pattern of development becomes more diversified, requirements of foreign exchange tend to be scattered, the requirement in each instance not being for a new or a complete project but for a part of a continuing project.

No less significant is the growing awareness of the member-countries of the Consortium that the terms on which aid is extended should be such as to impose the least burden on India's foreign exchange budget. This could be achieved by suitable modifications in the period of the loan, the rate of interest and the mode of repayment. The period of the loans to be made by the member-countries and the rates of interest payable on them have not been finalised yet. But there are a few hopeful pointers. In the case of U S credit, loans from the D L F will be for long periods, extending up to 50 years and will be interest-free, except for a nominal service charge of one per cent or so. Loans from the Export-Import Bank will, however, bear interest at the usual commercial lending rate depending on the project financed. The U K has agreed to increase the period of its loans from 15-20 years to 25 years with a 7-year moratorium. West Germany has been persuaded to charge a lower rate of 3 per cent on a part of the total credit committed by it. Other members of the

Consortium are also expected to make similar concessions.

While this growing realisation abroad that India's economic development cannot be financed by short-term loans carrying commercial rates of interest is a hopeful portent for the Third Plan, there are certain other developments which cannot be ignored. The most important of these is the tying of loans to purchases from the lending countries. There are no indications that they contemplate any major relaxation in this respect. On the contrary, there is, if anything, a movement towards more tied credits. The adverse impact of tied credits will be most acutely felt at the present moment when, owing to the depletion of our 'free' reserves, we are reduced to depending on foreign assistance for our day-to-day requirements of foreign exchange. Besides, the Draft Report of the Third Plan clearly states that the foreign exchange costs of project have been estimated on the assumption that machinery and equipment will be obtained from the cheapest sources of supply. These estimates may have to be revised upwards if, in order to utilise the credits made available by different countries, a part or whole of the equipment for any project has to be obtained from sources which are not the cheapest. But the Finance Minister, strangely, did not refer to this aspect of the problem of foreign resources for the Third Plan.

Flood Control by Commissions

EVERY year, with varying degrees of intensity, floods occur in one or the other of our rivers inflicting distress on people and causing damage to property. While the floods last, they make sensational news. Public interest is roused to a pitch as news of the havoc wrought by nature's fury pours in. Gallant rescue and relief operations are mounted by Government and the people.

But, what happens afterwards? Not much. Once the floods abate, public interest wanes and soon the floods and their victims are both alike forgotten. It would be surprising if events do not follow the familiar pattern this year also.

In his statement in the Lok Sabha on Monday, the Minister for Irrigation and Power assured the House that detailed assessment of

the damage caused by floods was being carried out by the State Governments concerned. Shri Ibrahim also disclosed that the Government was considering setting up Inter-State River Boards to promote and operate flood-control schemes. It would be a travesty of the truth to say that, even as things stand today, flood-control works suffer for lack of Boards or Commissions or other agencies.

There are at present 13 State Flood-Control Boards assisted by their Technical Advisory Committees, four River Commissions at the Inter-State level, for the Brahmaputra, the Ganga, the North-West Rivers and the Central-India Rivers, and, naturally, a Central Flood-Control Board at the Centre, to co-ordinate the work of the various State Flood-Control Boards and the River Commissions. Then, there is the Flood Wing in the Central Water and Power Commission, which is charged with assisting in any secretariat work of the Central Flood-Control Board and the River Commissions. The Central Flood-Control Board holds yearly meetings as do the four River Commissions. The River Commissions have appointed their own Committees "to examine important and complex problems", for example, (1) a Committee to lay down a rational and uniform procedure for assessing flood damage; (2) a Committee to examine the advisability of constructing high earthen dams in seismic zones; (3) the Beas Project Sub-Committee to examine the effects of construction of embankments on the River Beas. The State Flood-Control Boards and their Technical Advisory Committees also meet from time to time to approve flood-control schemes, major and minor, of which 126 and 1,037 respectively are said to have been executed since 1954 at a cost of some Rs 85 crores.

No, agencies to formulate or execute flood-control schemes, there are many. The fault must lie elsewhere. Shri Ibrahim himself hit the nail on the head when he said: "We are examining whether in the future designing and construction of dams greater cushion should not be provided for flood absorption and steps taken that, where such a cushion is provided, it is not encroached upon for purpose of irrigation and power generation".

Such encroachment in fact has been the rule rather than the exception in the past. Of the many objectives of our multi-purpose river projects, flood-control, navigation, irrigation and generation of power, the priority accorded has been roughly in the reverse order. The Damodar Valley Corporation is an example *par excellence*. The DVC was set up primarily for controlling the floods of the Damodar and its tributaries; but in the course of the execution of the projects, flood-control has been progressively relegated into the background. So much so that four dams, included in the original scheme to ensure complete flood-control, have never been taken up for execution at all. The undue priority given to generation of power by the DVC was pointed out and criticised by the Estimates Committee in its Fifth Report. Power is a tangible benefit, which everybody appreciates, whereas flood-control is a negative achievement. The Government cannot hope to point to its record of floods controlled or prevented with the same popular effect as it can to its achievement of kilo Watts of energy generated or acres of land irrigated. Is it surprising, therefore, that it takes no more than a few lines for the Draft Report on the Third Plan to dispose of flood-control programmes?

The lack of glamour of flood-control may explain its comparative neglect, but, in view of the fact that a single spate of floods can inflict losses on the land and the people which may far outweigh the benefits of power and irrigation from any project, is it too much to hope that the lessons of this year's floods will not be lost on our engineers and administrators, if not on our politicians?

Electricity Industry's Problems

ADDRESSING the Annual General Meeting of the Bombay Suburban Electric Supply Ltd this week, Shri A N Haksar focussed attention not only on the special problems facing his own company but also those facing the electric supply industry as a whole. It is unfortunate but true that despite repeated representations made by the industry, the financial provisions of the Electricity (Supply) Act have remained such as to operate adversely on the growth of the industry.

It has never been denied that an industry like the electricity industry must be regulated to ensure that it does not take advantage of the monopolistic conditions under which it operates. The regulations must not be such, however, as to stifle the industry and make it impossible for it to obtain the funds it requires to finance its growth and development. The present regulations do suffer from this defect. Besides, there does not appear to be adequate flexibility in the administration of the regulations when changes in conditions from time to time make particular regulations more stringent in their effects than envisaged in the scheme of regulation.

There is bound to be sympathy, for instance, with Shri Haksar's reference to the way in which recent changes in monetary policy have affected the industry. Under the Electricity (Supply) Act, the rate of return on capital permitted to the industry is fixed at two per cent above the Bank Rate. There has been much criticism that in recent years the official Bank Rate of four per cent has been considerably lower than would be justified by prevailing conditions. What is more im-

portant, the force of this contention seems to have been accepted by the Reserve Bank. For various reasons into which it is not necessary to go at this stage, the Reserve Bank has not raised the Bank Rate itself, but has introduced a three-tier system of lending rates, which has raised the effective Bank Rate to about five per cent while leaving the official Bank Rate at four per cent. Thus the industry has been deprived of the benefit which it would have received from a formal raising of the Bank Rate, an effect which the Reserve Bank could have hardly intended or even had in mind. Surely, some adjustment could have been made for this.

Shri Haksar's contention with regard to the effects produced by recent changes in the income tax system is more technical. It no doubt requires careful examination at the official level. If such an examination shows that the industry's contentions in this respect are not justified, an official refutation would be proper. Otherwise, it would be difficult to resist the inference that an injustice has been done to the industry which Government is not willing to rectify.



Plan Report Causes No Splash, Only Ripples

THE final report on the Third Five-Year Plan has caused no surprise here as there are no significant departures from the Draft Outline. Some targets, both financial and physical, have been revised, but this does not alter the basic framework of the Plan.

There is unanimity of opinion that the tempo of development envisaged in the Plan, though inadequate in the context of our needs, is quite impressive and gives this country a rate of growth which is the highest among the developing countries. Nevertheless the important question that arises in discussions of the Plan is whether the physical programmes of the Plan can be carried out fully. Fulfilment, or rather over-fulfilment, of the financial plan and shortfalls in physical achievements have so far characterised Indian planning. (See Table).

Power Shortage

It is frankly admitted in the Third Plan that "the shortfalls have unfortunately occurred in some of the very industries which are of crucial importance and have deprived the economy of benefits reckoned on for the start of the Third Plan". Will this be repeated in the Third Plan as well? This is the question which is uppermost in the minds of economists, both official and non-official. As things stand today, shortfalls in the physical achievements may perhaps be inevitable even in the Third Plan. Public sector industries are likely to be the biggest defaulters. At present except for the Hindustan Machine Tools and the Bhilai Steel Works, performance of public sector undertakings is generally poor. Progress made so far with regard to new industrial projects proposed to be undertaken in the public sector in the Third Plan is particularly slow. The expansion programme of steel, for instance, has made no tangible progress except at Bhilai. There are other projects like the Alloy and Tool Steels Plant which have been in the air now for over five years but for which not even the necessary foreign credit has been arranged so far.

Shortage of power, it now appears, may be the biggest drag on

industrial production in the Third Plan. While the Plan target for power generation is not itself inadequate, its phasing is far from judicious. The year-wise breakdown of the target for additional electricity generation in the Plan period is as follows :

Year	Addition During the Year (Million kW)
1961-62	0.60
1962-63	0.73
1963-64	1.05
1964-65	2.07
1965-66	2.54

Thus, only about one-third of the total additional capacity planned will be created in the first three years of the Plan. Even assuming that there will be no shortfall, this is sure to hamper the industrial programme in the initial years of the Plan.

There are many who doubt, therefore, whether more than 75 per cent of the physical programme embodied in the Plan can be realised. The danger of shortfalls in production also arises because of the peculiar approach to the problem of resources to finance the Plan. Thus, in all, programmes costing Rs 8,298 crores have been included in the Plan, while financial provision amounts to only Rs 7,500 crores. The biggest gap (20 per cent) between physical programmes and financial allocations is in the case of organised industries and minerals. The next biggest gap (15 per cent) is in transport and communication.

The resources position in the Third Plan is much better than in the earlier Plans. Among the sources of internal resources, additional taxation will yield the most. The prospects of realising the target of

additional taxation have brightened up with Shri Morarji's Budget for 1961-62. New taxation imposed this year will yield, on conservative estimates, around Rs 450 crores over the Plan period. Another tax effort of this order will achieve the target for additional taxation at the Centre. The States have also made a fair beginning in this respect. The proceeds from the Union excise duties have also exceeded expectations. For instance, in May — which was relatively a 'bad' month for industry due to the breakdown in the D V C power network which serves the country's main industrial belt — proceeds from Union excise duties amounted to Rs 40 crores. At this rate, excise duties should yield at least Rs 500 crores in 1961-62 as against the Budget estimate of Rs 434.84 crores.

Prospects of external assistance are also promising, judging from recent developments. A possible hitch is that aid may not come in time and thus the execution of vital projects may be held up.

Size of Private Investment

The evolving relationship between the public sector and the private sector has also received much attention. Rightly or wrongly, the public sector is synonymous with socialism for many in this country. Public investment will constitute 63 per cent of total investment in the Third Plan as against 58 per cent in the Second Plan. But investment in the private sector in the Third Plan has been grossly under-estimated. For instance, in housing only a 10 per cent increase over the Second Plan investment has been envisaged. This is clearly an under-estimate, particularly as there is a boom in

Major Shortfalls in the Second Plan

Commodity	Unit	Production Target	Actual Production
Finished Steel	Million Tons	4.3	2.2
Nitrogenous Fertilisers	'000 "	290	110
Textile Machinery	Rs Crores	17	9
Cement Machinery	" "	2	0.6
Newsprint	'000 Tons	60	25
Power	Million kW	6.9	5.7
Paper Machinery	Rs Crores	4	nil
Chemical Pulp	Tons	30,000	nil

housing construction in urban areas and production of cement is planned to be increased by 53 per cent to meet the growth in construction demand. Similarly, there is no basis for the provision of Rs 600 crores for inventories as against Rs 500 crores in the Second Plan even while investment in private sector industries is expected to be higher by 50 per cent. In transport the increase of 155,000 commercial vehicles as envisaged in the Plan above will require an investment of about Rs 600 crores, but total private investment in transport which includes besides commercial vehicles, taxis, three-wheelers, etc., is estimated at only Rs 250 crores in the Plan.

New issues, it is estimated, will contribute Rs 200 crores to private sector's resources. This, again, is a gross under-estimation, as in 1960-61 alone, new issues amounted to Rs 60 crores. Receipts from new issues are bound to go up progressively in the Third Plan period as the expected spurt in private industrial activity materialises.

In sum, actual investment in the private sector will be much higher than envisaged and the ratio of public sector investment to private sector investment will not be very different from that in the Second Plan. In the Second Plan also the actual proportion diverged from the estimates in favour of the private sector. It was first estimated that investment in the public and private sectors will be Rs 4,800 crores and Rs 2,400 crores respectively. Actually Rs 4,600 crores were invested in the public sector and Rs 3,300 crores in the private sector.

This does not, of course, mean that the public sector will not expand in the Plan. In fact, "as compared to 1950-51, by the end of the Third Plan, the contribution of the public sector will increase from less than 2 per cent to nearly a fourth in organised manufacturing industries and from less than a tenth to over a third in mineral production." The fact, however, remains that private sector will hold its own and there will be no qualitative change in the relationship between the two. Public sector will confine itself to these two branches of industry which it has already taken in hand in the Second Plan and will not enter any new field in the Third Plan.

Baby Car Not Yet?

Determined rearguard action by the private sector and ideological second thoughts in certain influential official circles bid fair to block the road for the baby car project. The Pande Committee, it will be recalled, had suggested that the project should be taken up in the public sector with French collaboration. But it is now known that two powerful officials, the Secretary of the Department of Economic Affairs of the Finance Ministry and the Advisor (Industry) to the Planning Commission, have questioned the wisdom of taking up the project on the ground that in view of the tight foreign exchange position and the heavy commitments of the public sector for Plan projects no non-Plan project should be taken up for execution.

At the same time, the offer of collaboration made by the Renault company of France is known to be very attractive. They have agreed to make available the entire foreign exchange requirements — Rs 6.5 crores — of the Rs 10-crores promised by the Aid-India Consortium. And once the car goes into production we will be free to export either the whole car or spare parts. Besides, within three years, production of the car will be entirely with indigenous components. Compared with this, the three models produced by the private sector have not been able to achieve complete indigenous production even after ten years. In the case of the Standard Ten, the proportion of foreign components used is still as high as 70 per cent.

The Government is expected to finally make up its mind on the small car project "in four to six weeks". The idea of a car being available within Rs 6,500 has raised high hopes among the growing prosperous middle class. The Government may find it difficult to resist the pressure from this highly vocal and influential class and may be compelled to overrule mere economic considerations in making its decision.

Italian Credit for Oil

The dispute between the Oil and Finance Ministries over the Rs. 46 crore aid offer made by the state-owned Italian oil firm, E N I, has gone right up to the Prime Minister, it is known. The Italian credit is for oil exploration in Saurashtra, laying a pipeline from Barauni to

Delhi and development of petrochemical industries. The Oil Ministry has already accepted the offer in principle and negotiations with the E N I on the matter have already reached the final stages.

At this later hour the Economic Affairs Department of the Finance Ministry has raised objection to the prospective agreement on the ground that the credit will carry a very high rate of interest, six per cent, will be made for a very short period, 12 years. The Finance Ministry holds that if the Italian offer is accepted it will set a bad precedent for member countries of the Aid-India Consortium, some of whom have already expressed their willingness to extend credits at lower interest rates and for longer periods, extending from 25 to 50 years.

The Oil Ministry's case for accepting the Italian offer is based on some sound grounds. First, no Western country has so far extended aid for the oil industry and so the Italian offer should not be refused even if the terms are slightly unfavourable. Second, investment in oil is also remunerative that it will pay off in a relatively short period. Third, the smaller members of the Aid-India Consortium will in any case, be able to extend aid only on relatively high rates of interest and for shorter periods. The Government will have no alternative but to accept aid on these terms from these countries. The E N I credit, according to the Oil Ministry, should be included in this category.

Meanwhile, the Oil Ministry is reported to have strengthened its case by persuading the E N I that repayment of the credit should begin only in the Fourth Plan. This new concession partly meets the Finance Ministry's objection to the Italian credit since it will involve no foreign exchange commitment in the Third Plan.

Notice

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Man-Made Crisis in Jute

THE crisis scare has been raised in the jute industry in the past also, generally by the millowners. Falling exports, shortage of raw jute and threat of strikes by labour on the question of modernisation have all, in turn, provided the excuse for the millowners. Alleged shortage of raw jute has once again been taken advantage of this year by the Indian Jute Mills' Association (IJMA) to declare a crisis in the industry.

Last year there was a fall in production of jute. To meet the consequent shortage of raw jute in the market, 12 per cent of the looms were sealed by the IJMA and the weekly working hours were reduced from 48 to 45 for a week in November last. This latter step was equivalent in its effect to sealing 17 per cent of the looms. Working hours were further reduced to 42½ hours per week subsequently. Not content with these measures, the IJMA proposed block closures of all mills for a week each in June and July. Both the Government of India and the Government of West Bengal gave their consent to the IJMA's proposal. The IJMA then proposed either a third block closure in August or a sealing of another 18 per cent looms. The total number of looms is estimated to be about 68,000. Of these, 8,000 have already been sealed. Sealing of another 18 per cent looms, as suggested by the IJMA, will result in throwing about 30,000 workers out of employment. Refusing both demands, Mr Abdul Satter, the West Bengal Labour Minister, told the IJMA that the workers, who had been asked to bear the brunt of the industry's difficulties every time, "should not be asked to bear any more".

The workers have never conceded that there is a real shortage of raw jute in the market and have all along agitated against the sealing of looms, shortening of working hours and the block closures. Both the Government of India and the Government of West Bengal, are also not convinced that a third round of block closure is justified by the shortage of raw jute. According to Shri Gulzarilal Nanda, a third

closure would be allowed only after "the closest scrutiny of raw jute position". At the same time, the Central Government is naturally unwilling to antagonise the powerful IJMA. This is borne out by the fact that, though the State Labour Minister was not convinced about the raw jute shortage, the decision to check the stocks held by individual mills could not be implemented because the Centre was not prepared to press the issue with the IJMA. If the State Labour Minister had been allowed to check the godowns of the mills, he would surely have found that some of the mills at least had ample stocks. In spite of the West Bengal Government's refusal to permit either the third block closure or the sealing of looms in August, the IJMA has decided to close individual mills on the ground of "abnormally low level of stocks of raw jute held by the mills".

Bogey of Shortage

The industry consists of 94 mills — of whom 82 are affiliated to the IJMA — and employs 2,25,000 labourers accounting for about 35 per cent of total factory employment in West Bengal. Although it is among the oldest industries in India, temporary hands known as 'Badli' and 'Casuals' form 35 per cent of the total labour employed. In the event of a block closure, even permanent workers are deprived of all benefits. If the third block closure had been allowed by the Government, the loss would not have been confined to the workers. Restriction of the mills' output has already led to a rise in price of jute goods, accumulation of stocks and fall in exports. In addition, the prospect of a bumper crop this year would have certainly led to a slump in raw jute prices causing extensive loss to farmers.

It is generally believed that the shortage of raw jute as a result of fall in production last year is much exaggerated. The shortage in mills' godowns does not mean that there is a shortage in the market. The fall in production in a particular year should be viewed in the context of the previous few years' production. According to the Commu-

nist daily, *Swadhinata*, production of jute in 1958-59, 1959-60 and 1960-61 was 8.795, 8.760 and 7.377 million bales respectively. Only about 2 lakh bales a year were consumed in the rural sector so that in the three years 6.46, 6.76 and 6.5 million bales respectively were available to the jute mills. Though the official estimate of the mills' annual requirement is 7.2 million bales, according to the trade unions, actual requirement is no more than 6.5 million bales. According to the *Swadhinata*, the mills had accumulated a surplus stock of 5,76,000 bales in 1958-59 alone. Besides, by reducing working hours from 48 to 45 and, later on, to 42½ per week and sealing 12 per cent of the looms, the mills have saved much raw jute. At a tripartite meeting held on June 1 the IJMA, however, declined to approach the question from what was, according to them, the purely arithmetical point of view as the mills, they said, should have the right to select the quality of jute.

As a result of fall in production last year, rampant speculation in the forward market pushed up prices of raw jute to very high levels. The IJMA took advantage of this to raise the bogey of scarcity and to reduce drastically production by member-mills. Speculation in the jute market forced the IJMA to fix the maximum price first at Rs 62 a maund and later to reduce it to Rs 56 a maund. The price of Aesam Buttomit was further lowered to Rs 52 a maund.

Explaining the reasons for refusing to permit the third block closure, the State Labour Minister agreed with the workers' argument that "shortage of raw jute in the godowns did not and could not indicate a shortage of raw jute in the market". According to him, if the mills "were not anxious to procure raw jute directly from the markets, how could there be jute in their godowns?"

The IJMA has never tried to refute this argument. One is, therefore, inclined to believe that the jute crisis is artificially created by the mills because they are reluctant to purchase raw jute from the market.

At present there is evidence of bigger supplies reaching the market and the current price is generally lower than the maximum price fixed by the IJMA. Sellers are keen to sell even at a discount on the current price. The downward trend in prices is likely to gather further momentum with further fresh arrivals in the market.

According to the trade unions, the IJMA has raised the crisis scare for a number of reasons. In the first place, the mills did not want to purchase raw jute from the market at the ruling high prices. By curtailing production, on the other hand, they could depress the prices. Secondly, the reduced supply of finished products in the market had already raised their prices. Thirdly, the IJMA seized the opportunity to bring pressure to bear on the central wage board for jute. The wage board is to determine the categories of employees who should be brought within the scope of the proposed minimum wage and to work out a

wage structure based on principles of fair wages as set forth in the report of the committee on fair wages. In the jute mills, if a 'Badli' worker completes 240 days of work in a calendar year, he is entitled to statutory leave — one day for every 20 days worked. If he works 240 days in a period of 12 months, he is entitled to the benefits of the Provident Fund Scheme. Besides, he will also be entitled to lay-off benefits during periods of unemployment. Moreover, the trade unions have urged the wage board to recommend higher wages. Since the last Award in 1955, the cost of living index has risen from 325 to 400 in 1960 but wages have not been raised even though the last Tribunal had suggested an upward revision of wages if the index rose beyond 355. If the per-point-adjustment is made, as suggested by the Tribunal, a jute worker's wage has to be raised by Rs 12.17 per month. Any stoppage of work in mills gives the IJMA an excuse to pay lower wages and prevent 'Bad-

lis' from completing 240 working days in a year.

The jute industry is among the oldest and best organised industries in the country, whereas jute mill workers are divided. Their strike threats do not pay at all. In 1960 all strikes ended in failure, though man-days lost in the jute industry constituted 55 per cent of total man-days lost in the State. Trade unions have demanded that floor and ceiling prices be fixed for the new crop and that drastic steps be taken to check speculation. State trading in jute, building up of a reserve stock by the Government and the nationalisation of the jute industry are among the unions' other demands. Most of these measures are beyond the control of the State Government. Even the fixing of minimum and maximum prices is likely to be ineffective in the absence of state trading in jute. The State Government cannot put much pressure on the IJMA since the Union Government is unwilling to antagonise our largest export industry.



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Letter from Moscow

Nineteen Eighty

Samar Sen

August 2.

THE Russians, though proud of the 20-year plan for peace and plenty and confident that they will make it, are not overwhelmed because they have got used to taking things, small or big, in their stride. And living in Moscow, we foreigners, too, are not startled — the plan is in the course of things. From the literary point of view, however, the document is not inspiring; it is pedestrian.

The main points which one noticed skipping through the huge document on a hot Sunday morning are :

By 1980 there will be free housing and later, free gas, water and heating; free public transport and gradual introduction of free lunches at factories and offices and for collective farmers engaged in production; free maintenance of children in nurseries and boarding schools (if parents wish); free, hot school meals and clothing; free maintenance of disabled people; free education at all educational establishments; free medical services, including the supply of medicines and the treatment of sick persons, at sanatoriums.

By 1970 Russia will gradually go over to a 34 to 36-hour working week with a 30-hour week for miners and others doing arduous work. Between 1970 and 1980 there will be a transition to a still shorter working week.

The Party says that during the next 20 years incomes will rise more than 3½ times.

By 1970 industrial output will go up by 150 per cent, while by 1980 it will increase by not less than 500 per cent. Russia then will have the highest output per head in the world. Productivity of labour in industry is to increase by more than 100 per cent by 1970 and by 300-350 per cent within 20 years, mainly through automation.

Electrification of the country will be completed. The annual output of electricity will be brought up to 900,000 — 1,000,000 million kilo Watt hours by 1970 and to

2,700,000 — 3,000,000 million kW by the end of the second decade. By that time the country should be able to produce 250 million tons of steel a year. Automation and mechanisation will be introduced on a sweeping scale.

In agriculture, the task is to increase the aggregate volume of production in 10 years by about 150 per cent and in 20 years by 250 per cent. Productivity of labour in agriculture will rise not less than 156 per cent in 10 years and five to six-fold in 20 years.

The collective farm villages will grow into amalgamated urban communities with modern housing facilities, public amenities and services and cultural and medical institutions.

The Party's Role

The task of the Party is to create the material and technical basis of communism, to bring about a stage when the principle of distribution according to needs will be introduced and there will be a gradual transition to one form of ownership — public ownership.

The Party stands for peace and co-existence. It believes that the working-class in other countries can achieve power by peaceful means. This of course depends to a large extent on whether the ruling classes resort to violence or not.

One idyllic paragraph is worth quoting for the benefit of Vinoba Bhave and Birla: "It may well be that as the forces of Socialism grow, the working-class movement gains strength and the positions of capitalism are weakened, there will arise in certain countries a situation in which it will be preferable for the bourgeoisie, as Marx and Lenin foresaw, to agree to the means of production being purchased from it and for the proletariat to "pay off" the bourgeoisie."

Another passage dealing with the national liberation movement says: "The national bourgeoisie is dual in character. In modern conditions the national bourgeoisie in those colonial, one-time colonial and dependent countries when it

is not connected with the imperialist circles is objectively interested in accomplishing the basic tasks of an anti-imperialist and anti-feudal revolution. Its progressive role and its ability to participate in the solution of pressing national problems are, therefore, not yet spent. But as the contradictions between the working people and the propertied classes grow and the class struggle inside the country becomes more acute, the national bourgeoisie shows an increasing inclination to compromise with imperialism and domestic reaction!"

The programme declares that the Soviet State has begun to become a nation-wide organisation of the working people in a Socialist society. So that "millions of workers may learn to govern", it proposes that at least one-third of the sitting deputies to any Soviet should withdraw to make way for new blood at each election, held every four years in the case of the Supreme Soviet and every two years for local Soviets. A similar practice is recommended for the Communist Party itself. But particular Party workers may, by virtue of their extraordinary abilities, continue for a longer period if they secure not less than three-quarters of the votes cast by secret ballot. These measures will rule out the possibility of excessive concentration of power in the hands of individual officials.

The document says that if the international situation makes an increase in defence expenditure necessary, the programme may be held up. But a relaxation of tension and in particular, disarmament, would make it possible greatly to surpass the plans.

Samar Sen

After many years in the Soviet Union, Shri Samar Sen now returns to India. This is his last despatch from Moscow. Ed.

U S Private Foreign Investment

A Study of the Role of Five Agencies

Marina von Neumann Whitman

The agencies studied in this article are: the Investment Guarantee Programme, the Export-Import Bank, the International Bank for Reconstruction and Development, the International Finance Corporation and the Development Loan Fund.

A comparison of the amount of private and public funds committed by the United States for investment abroad shows that the United States Government has tied up almost five dollars in the operations of these agencies for every dollar of private capital that has gone abroad as a result of their activities.

These results hold out little hope that the efforts of these agencies will enable the U S Government to turn over the responsibility for external development financing to private capital going abroad for profit. No such 'shifting of the burden' can take place in the foreseeable future.

This does not, however, mean that as mobilisers of private capital, the role of these agencies has been a futile one. They are in excellent position to steer private investment where it is needed and where it can be best utilised.

As a result of their activities, the U S business community gains increased knowledge, interest and stake in economic development abroad and of the role played in it by external financing. By breaking down some of the traditional hostility in advanced countries to 'foreign aid' in its pure form, these agencies also directly smooth the path for other development assistance transactions which do not and cannot involve private participation.

THROUGHOUT the post-war period, the United States Government has tried to reconcile its traditional predilection for private enterprise and its desire to conserve public funds with the requirements of borrowing nations, many of which demand types of lending and investment not at present attractive to private capital, by attempting to stimulate the outflow of such funds in a variety of ways. Among the means utilized to facilitate and encourage foreign investment are: the collection and dissemination of information on investment opportunities abroad; the negotiation of bilateral treaties dealing with the treatment of such investment by host countries; and the provision of tax incentives in the form of favourable treatment or across-the-board tax reductions for certain classes of investments.

Going beyond these measures, the Government also enters into and alters the private capital market itself, through the provision of state guarantees to private investors or the loan or investment of public funds in conjunction with them. This type of activity is at present carried on by five agencies, three of which are national and the other two international. They are: the Investment Guarantee Programme, the Export-Import Bank of Washington, the International Bank for Reconstruction and Development, the

International Finance Corporation, and the Development Loan Fund.

Investment Guarantee Programme

Although several of the U S and international agencies discussed here have similar and often overlapping authorizations to issue guarantees of funds invested abroad by American citizens or corporations, the only sustained instance of this form of encouragement in the post-war era has been the Investment Guarantee Programme now administered by the International Cooperation Administration. This Programme came into being as part of the Economic Cooperation Act of 1948, which authorized the issuance (for a maximum annual fee of one per cent of the face value of the guarantee contract) of guarantees of convertibility of income or compensation for sale for new investments approved by the governments of both the U S and the participating country concerned, with whom a bilateral treaty spelling out claims procedures was required as a prerequisite for the issuance of guarantees.

Confined initially to investments expected to further the general objective of European recovery, the Programme was extended in 1951 to any area in which assistance was authorized under the Mutual Security Act, and two years later to any

country willing to sign an agreement with the United States instituting the Programme. In 1959 the shift in emphasis from Europe to the less-developed countries of the non-Communist world was completed by legislation prohibiting the issuance of investment guarantees after January 1, 1960 in the developed countries of Western Europe and

Table 1: U S Private Capital Invested Abroad, 1946-60

Agency	Amount
Investment Guarantee Programme	324.1
Export-Import Bank of Washington Regular Cooley	1552.6
International Bank for R & D	136.3
Purchase of IBRD Bonds	1,415.0*
Portfolio participations	296.6
Joint operations with NY Y Market	300.0†
International Finance Corporation	45.8
Development Loan Fund	23.1
TOTAL	4,093.5

Sources: * Estimated from information in the Annual Reports of the IBRD

† IBRD, "The World Bank: Policies and Operations" (Washington, 1960)

All other figures from unpublished data provided by officers of the agencies concerned.

Japan. At the end of 1960, 32 less-developed countries, including two in Western Europe, were participants in the Programme (India joined the Programme in 1957), as were the overseas dependencies of six of the thirteen European countries no longer eligible for guarantees.

Broader Functions

Along with geographical extension, the functional coverage of the Programme has also been gradually broadened through legislative amendments. Guarantees of earnings and profits up to twice the amount of the paid-in capital were soon permitted, as was coverage for the expansion of existing investments and for royalties on techniques and processes. Expropriation was made one of the insurable risks in 1950 and direct war loss in 1956, although the much-desired coverage of losses due to civil war and insurrection continue to be blocked in Congress.

In terms of dollar amounts of guarantees issued, the Programme started off extremely slowly, failing to pick up momentum until 1955, when \$ 46 million worth of guarantees were issued. It reached its peak in 1958, when contracts issued totalled \$ 212 million, \$ 113 million of which covered investments in less-developed areas. Since then the annual figures have dropped, most sharply in 1960, when a whole group of countries suddenly became ineligible for further guarantees. At the end of 1960, guarantees totalling \$ 561 million had been issued for investments in 29 countries since the Programme's inception, of which \$ 261 million covered investments in less-developed areas. Applications pending for future guarantees, all of them in such areas, totalled \$ 1.4 billion on the same date.

Because of the double-counting involved whenever guarantee contracts covering two or three types of risk are issued for a single investment, the above figures do not represent the actual amount of U S private funds which have gone abroad in conjunction with the operations of the Investment Guarantee Programme. The total value of all investments of cash, loans or equipment abroad through the Programme as of December 31, 1960, is estimated by the Guarantees Division staff at \$ 324.1 million (plus \$ 34.7 million in the form of contributions of tech-

nical know-how or other services for which royalty or other payments were made). Of this total, approximately \$150 million has been invested in Western Europe, \$ 39 million in Latin America, \$ 56 million in the Middle East and Asia (\$ 34 million of it during 1960 alone), and \$ 80 million in Africa (\$ 72 million of which is for a bauxite development project in Guinea). The annual outflow of funds probably followed roughly the same pattern as did the dollar values of the guarantees themselves, with a gradual growth at first, considerable acceleration between 1955 and 1958, and a sharp drop in the last two years.

Export-Import Bank

Of the agencies which attempt to stimulate the flow of American capital to participate with private funds in overseas lending and investment, the most venerable is the Export-Import Bank of Washington, which was founded in 1934 to facilitate the export trade of the United States, but which has since 1940 moved increasingly into the field of development loans which need not give direct aid to American exporters. By mid-1960, this Bank had authorized, since its inception, credits totalling \$ 10.7 billion, of which \$ 7.3 billion had actually been disbursed as loans, and \$ 3.2 billion was currently outstanding.

In its efforts to implement the 1945 legislative directive that it should "supplement and encourage and not compete with private capital," the Eximbank has evolved a number of different patterns of joint public-private foreign investment to encourage the maximum participation by both direct and portfolio investors under a variety of circumstances. Assistance to direct (business) investors is of two main types: the granting of export credits to American firms to enable them to extend long-term credits (a form of lending) to their foreign customers, and loans to American enterprises or their subsidiaries operating abroad as an important part of the Bank's development loan programme. In granting export credits, the Bank has always insisted that the exporter either assume himself or find private sources of financing for a certain minimum proportion of the total credit. Last year, a new formula was announced,

designed to encourage commercial bank assistance in financing long-term credits. Although export credits represent a small proportion of the dollar volume of Eximbank authorizations, a preponderant number of the Bank's transactions have been of this type. Such credits have ranged in size from \$ 550 to \$ 6.9 million.

The loan of Eximbank funds to American-owned enterprises abroad, in conjunction with simultaneous equity investment by private stockholders, can be either in the form of assistance to existing U S enterprises abroad which would otherwise be unable to raise the capital necessary to fulfill the normal obligations of public utilities, or loans to new firms, designed to provide both a "psychological umbrella" for the investor and the necessary loan capital, often unavailable elsewhere, against the private equity base. These development loans are far fewer in number but generally for much larger amounts than the export credits.

Erratic Private Participation

The stimulation of participation by portfolio (institutional) lenders in Eximbank loans is the chief function of the Bank's Private Capital Participation Division. In all, more than \$ 400 million of the Bank's loans have been taken over by such institutions without guarantee, including \$ 100 million of a \$ 200 million reconstruction credit to the Netherlands in 1946, \$ 45 million of a \$ 50 million loan to Belgium in 1952 and, in 1958, \$ 54 million of a \$ 329 million Eximbank-I M F package transaction with Argentina. Commercial banks have participated in numerous smaller loans and export credits in recent years, and by 1959, the Bank had a core of about 65 commercial banks which participate in its loans with "on-and-off regularity," depending chiefly upon the current domestic demand for loan funds.

Private participation by commercial banks, insurance companies, trust funds, U S industry and suppliers and equity investors in Eximbank activities has totalled between \$ 1.5 and \$ 1.6 billion in the post-war years (only rough estimates are available for the period prior to 1952). Of this total, approximately \$ 0.4 billion represents the assumption of prior Eximbank commitments by private interests, while

the remainder represents private funds lent or invested in addition to and in conjunction with Eximbank credits.

Although private participation has increased markedly over the postwar period as a whole, the growth pattern is characterized by extremely erratic year-to-year fluctuations, owing chiefly to variations in commercial bank liquidity, which in turn depends upon the domestic demand for loan funds. As long as U S commercial banks continue to practise capital rationing in favour of domestic borrowers, the Eximbank's efforts to secure participation will be at the mercy of the American capital market's current situation.

Local Currency Loans

Regular Eximbank loans are made repayable in dollars, and are virtually always extended only for the purchase of goods and services in the United States. Even if loans to cover local costs were available, American businessmen would be extremely reluctant to contract them, since the fear of devaluation or convertibility difficulties creates a strong desire to hold the dollar investment in foreign enterprises to a minimum. To help fill the gap created by the shortage of local-currency funds for medium or long-term borrowing in many countries, Congress passed in August 1957 the so-called Cooley Amendment to the Agricultural Trade Development and Assistance Act of 1954 (P L 480), which provides that up to 25 per cent of the foreign currencies received in payment for the sale of American surplus agricultural products under the Act should be made available through the Export-Import Bank, for loans to American private business enterprises operating in the country concerned.

Under the rules established by the Eximbank, the "interest rates are similar to those charged for comparable loans in the country concerned." This provision refers to the rates charged by the local development bank or similar institution (generally between 5 and 12 per cent), rather than to those of commercial banks or other local private lenders, which are generally much higher. It implies, nevertheless, interest rates a good deal higher than those customarily levied on similar loans in the United States;

this provision is designed in part as a substitute for the maintenance-of-value clause, but chiefly to avoid unfair competition with the host country's own financial institutions and the granting of a competitive advantage to U S firms and their affiliates. This latter consideration is crucial, since the Bank must negotiate with the host Government for approval of each loan it endorses, even after the use of a stated proportion of the funds arising from surplus commodity sales for such loans has been provided for in the sales agreement previously negotiated.

Effective Catalyst

As of June 30, 1960, when the Cooley programme had been in operation for two years, the Bank had authorized 118 credits in 17 countries for a total equivalent to \$ 66.7 million (excluding cancelled credits), which absorbed approximately 40 per cent of the funds estimated to be actually available at that time. By that date, the Bank estimated that it had helped finance projects representing an investment of \$ 203 million, of which \$ 66.7 million was in Cooley loans and \$ 136.3 million represented the dollar or foreign-currency investment of private firms (since more than 90 per cent of the Cooley funds have been lent to U S owned enterprises, nearly all the additional funds are doubtless of U S origin). India was the recipient of \$ 91.2 million, or nearly half the total; \$ 17.6 in Cooley funds, the rest in additional private capital.

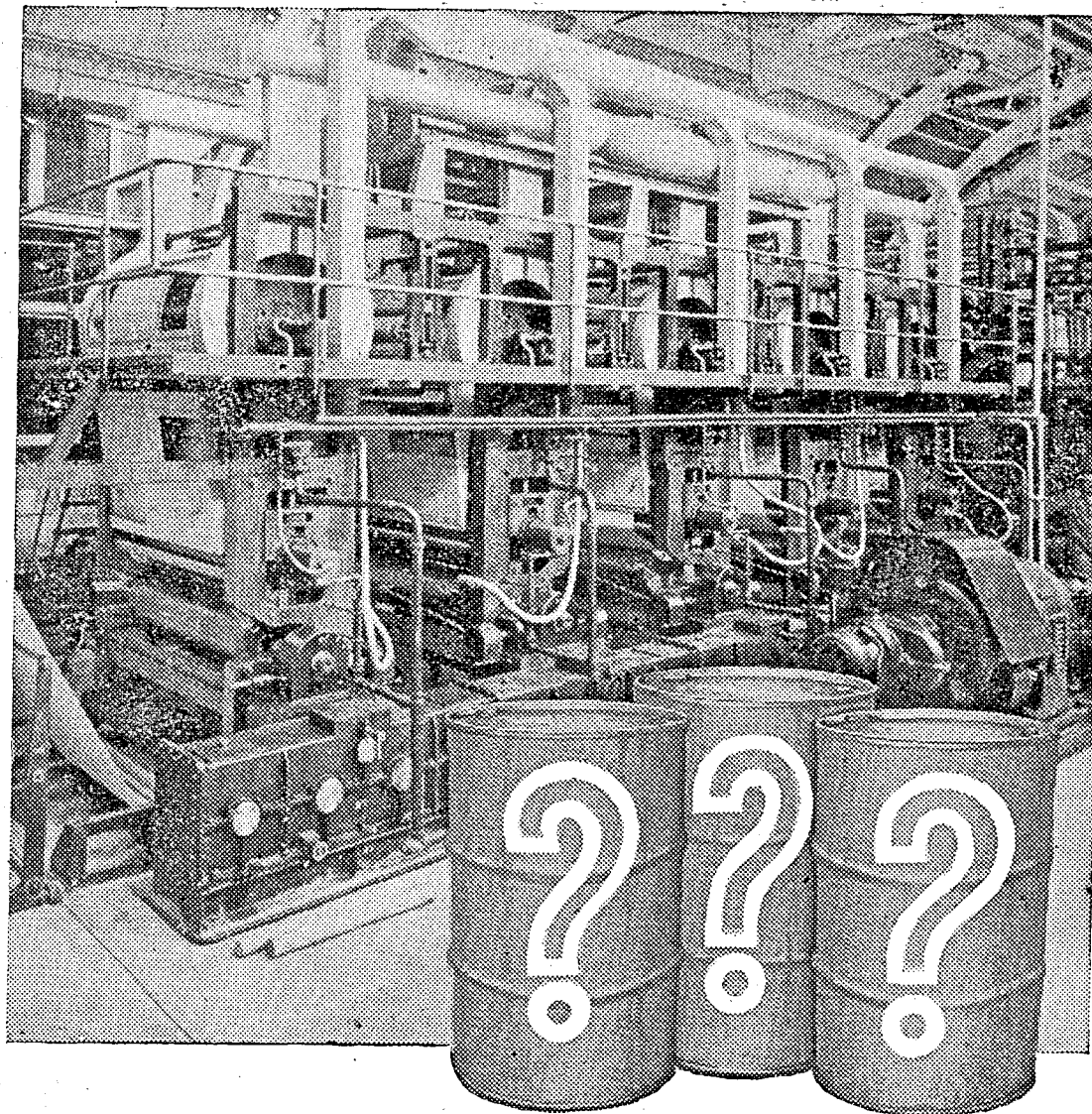
The overall proportion of private-to-public funds (more than 2-to-1) invested in connection with the Cooley loan programme indicates that, though small, it is effective as a catalyst for channeling U S private capital into development investment (chiefly in manufacturing enterprises). Its usefulness in this respect is enhanced by the fact that, because its credits are generally of modest size (between \$ 100,000 and \$ 500,000), it is of particular interest to small and medium-sized firms, to whom the larger loan programmes are generally unable or unwilling to provide assistance. The programme currently operates, however, under the severe handicap of the irrelevant criteria under which funds are made available to it; whether or not loans are available

in a given country and in what amount depends neither upon the demand of American private business for such funds nor upon the desire or the ability of the host country to make use of external private capital in its development process.

World Bank

The World Bank was originally, viewed less as an international public lending institution than as "a safe bridge over which private capital could move into the international field," and it was expected to perform this mobilizing function more through the use of its guarantee powers than by borrowing private funds in some member countries for re-lending in others. In 1946, however, American bankers made it known that the Bank's own bonds would sell more readily than foreign bonds carrying its guarantee. Since it was obvious that, for some time to come, the Bank would have to rely entirely on the U S investment market for private funds, it began preparations for the marketing of its own securities, the proceeds of which would be used as loan funds supplementary to those provided by the paid-in 20 per cent of member countries' capital subscriptions. Such preparations involved chiefly an intensive educational campaign aimed at the American public and at lending institutions in particular, and efforts to obtain the enactment in as many states as possible of legislation permitting insurance companies, commercial and savings banks and trust funds to invest in World Bank securities. By the end of 1949 all but a few states had passed such legislation, and amendments to Federal laws had given I B R D bonds the same general status as U S Government, state and municipal issues.

Since its first public offering of \$ 250 million was heavily oversubscribed in July 1947, the Bank has succeeded in creating a steadily broadening market in the United States and, since 1950, in other major capital markets as well. At present its bonds enjoy an "AAA" rating in the U S and their market action compares favourably with high-grade corporate and U S Government issues. There is little question, however, that this favourable reception by private investors is

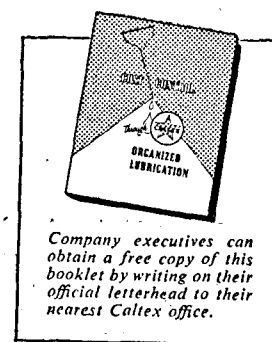


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due, in large measure, to the "ultimate guarantee" provided by the U S Treasury, in the form of the uncalled 80 per cent of the country's capital subscription. The extent of this dependence was made clear in early 1959, when it was predicted that the Bank's outstanding obligations would probably exceed the uncalled \$ 2,540 million of the U S subscription within the next two years. Widespread fears that this would make further borrowing on the U S market impossible were allayed only when Congress approved an increase in that subscription which raised the guarantee afforded by it to \$ 6,350 million, or more than twice the Bank's funded debt at the close of fiscal year 1960.

U S Purchases

Of the 56 note and bond issues, totalling \$ 2.8 billion, which comprise the Bank's entire borrowing record to June 30, 1960, 32, amounting to about \$ 2.3 billion, were denominated in U S dollars. Of the \$ 1,689 million in dollar borrowings outstanding on that date, the Bank estimated that approximately 58 per cent or \$ 980 million, were held by United States investors. My own estimate of the overall proportion of the Bank's dollar obligations bought by U S purchasers, calculated from such information as can be gleaned from the *Annual Reports*, indicates a 13-year total of approximately \$ 1,415 million, or 63 per cent of the total sum of dollar bonds issued. The year-to-year fluctuation in U S purchases is enormous, for three major reasons, aside from the obvious one of the "lumpiness" of the data: (i) issues are large if they are floated at all; (ii) while Bank loan commitments, to which borrowings are tied, have been generally rising, this has been offset both by a rise in private participation in the Bank's loan portfolio and by its growing success in marketing securities in currencies other than dollars, and (iii) decisions concerning issues on the U S market in a given year depend heavily upon the Bank's estimate of the reception they will get, which is in turn closely related to the fluctuating cash position of institutional investors.

Another and increasingly important form of private participation is the purchase by private investors of the obligations of the Bank's borrowers received in connection with

its loans to them, either through simultaneous participation in a loan commitment or by subsequent purchases from the Bank's portfolio. By the end of fiscal 1960, such transactions amounted to \$ 811 million, of which nearly \$ 300 million had come from U S investors, \$ 96 million of it during that year alone. Until 1951, all such participations were taken under the Bank's full and unconditional repayment guarantee; since then, those sold with the guarantee formed a steadily declining proportion of the total until they ceased altogether after 1955-58. In all, \$ 69 million of total participations, and perhaps \$ 30 million of the U S-purchased portion, were with the guarantee.

Joint Bank-Markets Loans

The third and loosest form of relationship between the Bank's lending activities and American private investors is joint Bank-market operations. These are not participations, but simply arrangements with U S investment banking houses whereby a World Bank loan is made to coincide with the raising of additional funds from private investors, and in which "agreement on the use of the funds" is reached beforehand by representatives of the borrowing country or agency, the investment banking firms concerned and the World Bank. Although the Bank has no liability for the private portions of these joint issues, the latter are in general protected by final maturities on the Bank's loans running well beyond those of the privately-held obligations.

Thirteen such joint operations, involving ten borrowing countries, have taken place since December 1954. Borrowings have totalled \$ 539 million in all, with \$ 300 million coming from private lenders and the rest from the Bank. Of the ten borrowers, two African countries and India thus issued their first public offerings in the United States as independent nations, while five European countries and Japan floated public issues here for the first time since the 1930's.

Although sufficient information is not available to compute an overall ratio between U S private funds and public money in I B R D loans in which both types of funds have participated, it is possible to estimate these ratios for the years 1955-60. When both participations

and joint operations (but not, obviously, purchases of the Bank's own securities) are considered, the ratios between private U S funds and net I B R D commitments are as follows: fiscal year 1956, 18 per cent; 1957, 16 per cent; 1958, 26 per cent; 1959, 36 per cent; 1960, 15 per cent; total 25 per cent.

Participation Ratios

The figures for all years are extremely sensitive to the number and size of the joint operations for a given period; when these are eliminated and participations alone considered, the ratios for all years but the last (in which there were no joint operations) drop considerably, and something more nearly resembling an upward trend becomes visible. The ratios then become, in the same chronological order: 7 per cent; 6 per cent; 11 per cent; 10 per cent; 15 per cent. The range in all years was enormous; private participations varied from substantially less than one per cent of the net I B R D commitment in a given transaction to two cases (both in Africa) in which they equalled the public investment. More than half of such participations equalled less than 10 per cent of the net public funds invested. In all but one of the 13 joint operations with the New York market, however, the private loans equalled or exceeded the I B R D commitment.

The World Bank's stated purpose at the time of its inception was that it should ultimately obtain the bulk of its funds from the sale of its securities to private investors. Fourteen years after it started operations with members' capital subscriptions as its only source of capital, it had achieved this goal with some success. Of the \$ 5.5 billion in loans authorized as of June 30, 1960, \$ 3.9 billion, or approximately 71 per cent, had been financed by private investors in one of the ways described above; of this latter sum, almost exactly half (\$ 1.9 billion) had come from investors in the United States. Of the U S total, \$ 1.3 billion was in the form of purchases of the Bank's own securities, which carry the ultimate guarantee of the U S Treasury; the other \$ 0.6 billion was almost equally divided between portfolio participations and joint operations, neither of which (except for a small

amount of guaranteed participations in the early years) are backed by any such security, but depend directly upon the credit of the borrower. These figures do not include, of course, the private funds mobilized indirectly: the private foreign investment which resulted from broadened contacts stemming originally from participation in Bank loans, or the local private money mobilized by new development institutions and projects brought into being wholly or partly by Bank funds.

International Finance Corporation

The International Finance Corporation was created in 1956 as an independently-operating affiliate of the I B R D to bridge certain important gaps in the powers of the parent institution to act as a source of financial assistance to privately-sponsored enterprises. These limitations stem from two provisions of the World Bank's charter: the requirement that all loans not made directly to a government or one of its agencies be guaranteed by it, and the prohibition against the provision of equity capital by the Bank. The I F C was established, therefore, "to further economic development in its developing member countries by investing without government guarantee — in productive private enterprises in association with private capital and management." Alone among the lending institutions here discussed, the I F C's operations are aimed exclusively at the private sector of less-developed economies. Its intended role is that of a catalyst; its own funds are limited, and its President has stressed that "I F C's success must be measured, not so much by the amount and profitability of its own investments as by the amount of additional investment it succeeds in stimulating." Although its subscribed capital is at present only \$ 96.5 million, its portfolio of loans in mid-1960 totalled less than half of the available funds, indicating the difficulty it has encountered in unearthing projects suited to its narrowly-defined functions. All its investments up to that date, totalling \$ 42.1 million, were in industrial enterprises, essentially private in character, in 17 less-developed countries.

The major operating rule of the I F C is that "it judges projects on

the basis of their merits as investments for private capital." Rather than adhering to the "bankable standards" generally required by the older lending institutions, it states that it stands ready to take the risks generally assumed by business or venture capital investors. It expects, in return, the returns commensurate with these greater risks; although it is not permitted to invest in capital stock or shares, its investments combine both debt and equity features, carrying not only fixed interest charges but also "some right to share in the profits and growth of the business. Such shares may take the form of a right to some additional income related to earnings or an option to subscribe to share capital (which cannot be exercised by the I F C itself but which can be sold to private investors), and frequently a combination of the two."

Private Participation in I F C

There are, at present, two forms of private participation in I F C investments: the assumption by private investors of portions of I F C commitments, and additional investments, in both equity and loan form, in enterprises to which the I F C is simultaneously extending a loan. Ultimately, the I F C expects to revolve its funds through a third form of participation: the sale to private investors of securities in its portfolio. But the I F C does not expect to begin such operations until its own credit has been firmly established by its loan record. Besides, its President has pointed out that "for some time in the future, we expect to be more concerned with using our available capital effectively than with lack of resources."

By September 1960, the I F C had invested in a total of ten industrial projects, all of them in Latin America, in which U S private debt or equity capital were also involved. In only two cases were the private investments in the form of actual assumption of part of an I F C loan commitment: a participation totalling \$ 3.2 million in a \$ 4 million loan to U S-owned Champion Cellulose, S A in Brazil and a participation of \$ 0.4 million in a \$ 3 million loan to a locally-owned enterprise in Argentina for the construction of a sulphite mill. The other eight instances of U S private funds accompanying I F C operations in-

involved investments in addition to, and almost always greater than, the I F C commitment. Among the largest of the total financing operations involved were: a total financing of \$ 18.6 million for a Chilean copper mining and smelting enterprise, and a \$ 22 million expansion programme of Willys-Overland de Brazil, S A, manufacturers of trucks and jeeps. These figures include not only I F C and U S private money, but also funds from local and other foreign private investors. Other transactions involved a cement plant in Chile, a pulp and paper mill in Brazil, and a steel-manufacturing products firm in Argentina. Two of the eight enterprises were locally-owned, two were wholly-owned subsidiaries of U S parent companies, and four were under joint local-foreign ownership, the form of ownership preferred by the I F C.

In all, the I F C commitments to the ten enterprises involving U S private capital total \$ 19.8 million, or more than half of its entire net commitment of funds to date. The U S private funds alone involved in these same enterprises are estimated by a member of the I F C staff at slightly under \$ 46 million. Unfortunately, no such precise estimate is available of the local and other foreign private capital which has also been invested in the enterprises which have received I F C funds, but in mid-1959 the I F C estimated that "for each \$ 1 of I F C funds committed to date, more than \$ 3 of private funds are being invested."

Development Loan Fund

The Development Loan Fund, an agency of the U S Government, was created under the Mutual Security Act of 1957 "in order to encourage economic development under the free enterprise system and eliminate the barriers to, and improve the climate for, the international flow of private investment capital.... the Fund shall be administered so as to support and encourage private investment and other private participation furthering the purposes of this title...." Despite the verbal emphasis on private enterprise, the activities of the D L F have made it clear that its central objective is assistance to economic development; over 80 per cent of its loans so far have been made to the public sector

of the recipient nations' economies, although a small portion of these were to intermediate credit institutions for re-lending to private borrowers. Only in the field of industrial development has a majority of loans been made to private borrowers.

The loans of the D L F, which totalled \$ 1,356.6 million (authorized) at the end of fiscal 1960 (of which South Asia, chiefly India and Pakistan, had received the largest single portion, totalling \$ 578.5 million), are "softer" than those of the other lending agencies, in part because it alone among them will accept repayment in local currencies for loans made in dollars, in part also because it is expected to take greater risks than the World Bank or the Eximbank while demanding a rate of return, less than, or at most equal, to theirs. All D L F loans are dollar-denominated, that is, the borrower agrees that, in the event of a devaluation of his country's currency *vis-a-vis* the dollar, he will repay an amount equal to the sum of dollars originally lent at the new rate of exchange.

Small Loans to Private Enterprise

Ultimately, the D L F expects to stimulate the investment of private capital both through the provision of loan funds to enable private enterprise to embark on projects it might otherwise be unable to undertake, and through the purchase of convertible debentures suitable for later re-sale to private investors. Although a few I L F investments have been made partly in the form of such debentures, none has yet been turned over to private hands. Loans to private enterprise, however, have been an integral though relatively small part of the D L F's operations ever since its inception.

As of June 30, 1960, there had been only nine (out of 163) D L F transactions involving the participation of U S private funds. Two were in the form of re-payment guarantees: one granted to the Bank of Monrovia in Liberia, a wholly-owned subsidiary of a New York commercial bank, committing the D L F to a maximum liability of 50 per cent of a projected total of \$ 1 million of medium and long-term loans to a variety of small industrial enterprises; the other covers a \$ 4.5 million loan by two

U S commercial banks to a ship-building company in Taiwan which is jointly owned by local and U S investors. The other seven such transactions were direct loans, three in Asia, three in Africa, and one in Latin America. All the firms involved are industrial, and all are joint enterprises; two, in fact, are entirely under local ownership, with American funds involved only in the form of loan capital.

United States private capital participating in D L F industrial development loans totalled \$ 23.15 million in mid-1960, of which \$ 7.44 million was in equity and \$ 15.7 million in loan funds. The total D L F funds loaned to these same enterprises were \$ 31.84 million. (Early in 1961, too late to be included in the figures here, American investors committed \$ 39 million to an integrated steel plant in Turkey, whose \$ 245 million total financing also included a D L F loan of \$ 129.6 million and substantial funds from the Turkish Government and local and European investors.) The ratio of private-to-public U S funds works out to about 1.7 to 1, but when all private funds, rather than just those originating in the United States are considered, the figure

for private participation through mid-1960 reaches more than \$ 100 million, and the ratio rises to almost exactly 1 to 1.

Measurement and Evaluation

Essential to any judgments about the effectiveness of public encouragement of American private investment abroad through the mechanism and joint-investment institutions is some comparison of the two magnitudes involved. Since the total net outflow rate of long-term private capital from the United States has increased more than threefold between 1945-48 and 1958-60, one can estimate the impact on such outflows of the five institutions under discussion only by looking at the changes over time in the relationship between the total capital outflow and that portion which moved abroad in connection with the activities of each of the five agencies.

These comparisons are made, in Table 2, in terms of three-year periods rather than on a year-by-year basis because the longer unit of observation lessens the distorting effect of the various difficulties which interfere with an accurate comparison of the two groups of data. Among these difficulties are:

Table 2: Private U S Funds in Relation to Total Long-Term Capital Investment, 1946-60

(In millions of U S dollars)

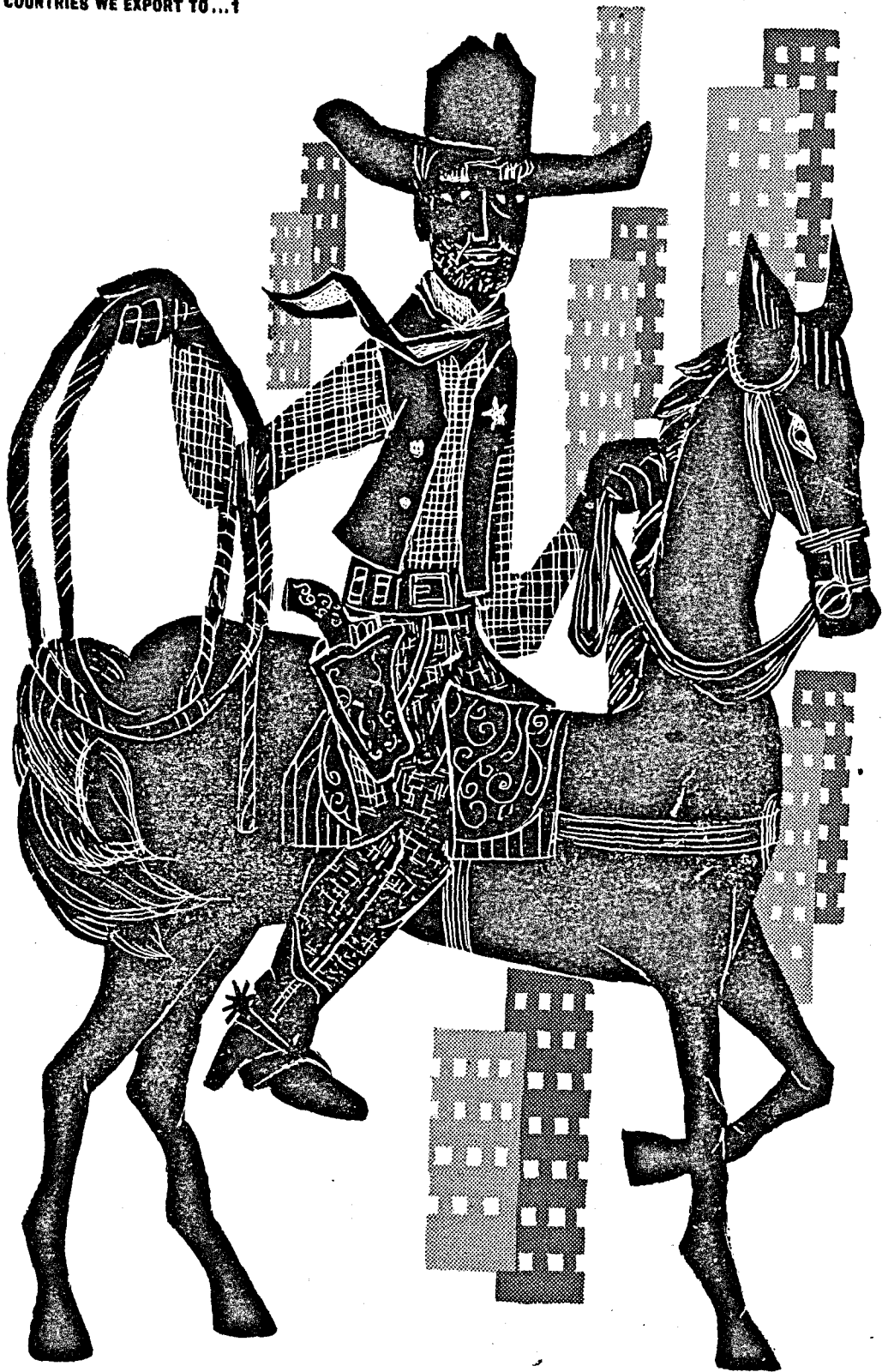
(A) Ratio of agency-related U S foreign investment to net long-term private capital outflow from the United States:			
(1)	(2)	(3)	(4)
Period	Total outflow, net	Agency-related private investment	(3) as % of (2)
1946-48	1,691	565	33
1949-51	2,821	257	9
1952-54	2,584	485	19
1955-57	6,422	898	15
1958-60 (first half)	5,815	1,807	31
TOTAL	19,333	4,012	21

(B) Ratio of agency related U S foreign investment to total long-term private foreign investment, including portfolio investment gross of redemptions and the reinvested earnings of subsidiaries:			
(1)	(2)	(3)	(4)
Period	Total investment	Agency-related private investment	(3) as % of (2)
1946-48	3,627	565	16
1949-51	5,001	257	5
1952-54	5,209	485	9
1955-57	9,854	898	9
1958-60 (first half)	8,378	1,807	21
TOTAL	32,069	4,012	13

Sources: Column 2: U S Department of Commerce, "Survey of Current Business and Balance of Payments—Statistical Supplement" (1958).

Column 3: Compiled from data obtained from sources cited in Table 1.

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the rough estimating, even guess-work, involved in the compilation of the figures relating to the five agencies; the fact that some of the agencies compile their statistics by calendar and some by fiscal year; and, most important, the "flow-of-funds" problem. This last term refers to the fact that, since the actual flow of money to a given enterprise tends to stretch out over a period of one, two or sometimes as many as four years after the date of commitment by a lending agency and the accompanying private investors, the figures for "commitments", from which the statistics relating to the five agencies were compiled, do not exactly correspond to the flow-of-funds data which go to make up the overall balance of payments statistics.

In Table 2(a) comparison is made, for each of the five three-year periods of the postwar era, between the commitments of long-term funds abroad by United States citizens or corporations in connection with the activities of the five institutions studied, and the net outflow of long-term U S private capital as recorded in the balance of payments statistics of the Office of Business Economics. It is difficult to discern any trend in the resultant percentages; the effect of the five agencies appears to have been strongest in the earliest period (when only three of them were in operation), then dropped sharply for the next three periods, but rose markedly in the most recent period to a position slightly lower than the one it had enjoyed a decade before.

Stimulus to Private Investment

Table 2(B) makes basically the same comparison as 2 (A), but with two major additions to the total capital-outflow figures used as denominators. The first is the use of gross rather than net figures for portfolio investment, since the redemption of old issues (except in the case of refundings) generally bears very little relation to the purchase of new ones, and thus introduces an essentially irrelevant factor into the comparison. The other is the inclusion of re-invested earnings of subsidiaries as well as dollar outflow in the data for direct investment; it is these two factors together which are generally considered in discussions of direct investment, and the invest-

ments of this type made in conjunction with the five agencies involve both kinds of funds. These additions not only make the two sets of figures more meaningful, but also bring to light something more closely resembling an upward trend. Except for the remaining sharp drop from a relatively high ratio in the earliest period, the picture is one of a general upward movement in the influence of these international and U S institutions on the export of American long-term private capital as a whole, terminating in an overall peak for the most recent period when, apparently, more than one fifth of this capital export was in connection with the lending or guaranteeing activities of one of these five agencies whose purpose, in part or in whole, is to channel private money into foreign development investment.

Public Investment Abroad

The average relationship between U S private funds and public monies which moved abroad together (or, at least, were committed together) is another measure useful in evaluating the effectiveness of these agencies in mobilizing private funds. This ratio varies widely among the four lending agencies, as Table 3 shows, ranging from World Bank loans involving private participations or joint operations, to which (in the years 1955-60) approximately twenty-five cents of U S private funds was committed for every dollar (net) of IBRD authorizations, to the I F C investments attracting U S private capital, into which an average of \$ 2.30 of such fund flowed for each dollar of I F C commitments. The average ratio for all four institutions for the years measured is forty cents of private U S money for every public dollar; if data were available for the Eximbank before 1952 and the World Bank before 1955, they would doubtless lower the overall average somewhat.

A final comparison, made in Table 4, relates the amounts of private U S funds, unguaranteed or guaranteed, which have been invested abroad in conjunction with the operations of the agencies listed, to the corresponding sums committed by the U S Government, both directly (in the case of funds

which have been or may be authorized as loans) and contingently (in the case of funds set aside as reserve backing for guarantees), to the use of these same five agencies. This comparison differs from the one drawn in Table 3 in that it considers (a) all the operations of the five institutions under study, rather than only those involving joint public-private investment in the same undertaking and (b) only the United States share of the public monies committed to the total operations of these five agencies, rather than all public funds, whatever their origin, involved in the specific sub-group of transactions described in (a). The fact that I am now taking into consideration the entire group of transactions involving the five agencies implies the assumption that each such transaction was intended as a potential attracter of private funds, while the assumption underlying Table 3 was that only those transactions which actually did involve private money are relevant to this study. Actually, the truth doubtless lies somewhere in between; a number of the loans extended by the World Bank, the Eximbank and the Development Loan Fund were clearly designed without any thought of utilizing private money, while others which might have attracted private funds failed to do so.

TABLE 3: Dollars of Private U S Capital Committed in Agency Investments in Which There Was U S Private Participation

Agency	Private Funds per Public Dollar
Export-Import Bank	
Regular (1952-60 only)	.50
Cooley	2.00
World Bank (1955-60 only)	.25*
International Finance Corp	2.30
Development Loan Fund	.70
TOTAL (Average)	.40

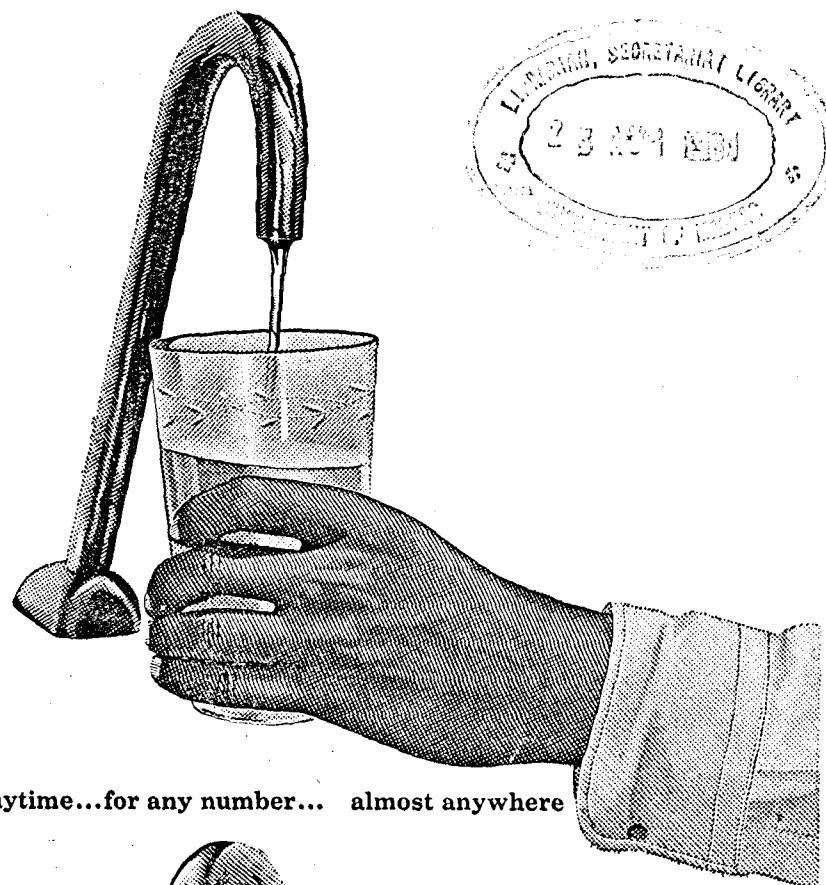
Note: The figures for commitments of public funds used in the comparison are net of private participations but not of reductions and cancellations.

Sources: * Estimated from information on loans in the Annual Reports of the IBRD, 1955-60.

All other figures computed from unpublished data supplied by officers of the agencies concerned.

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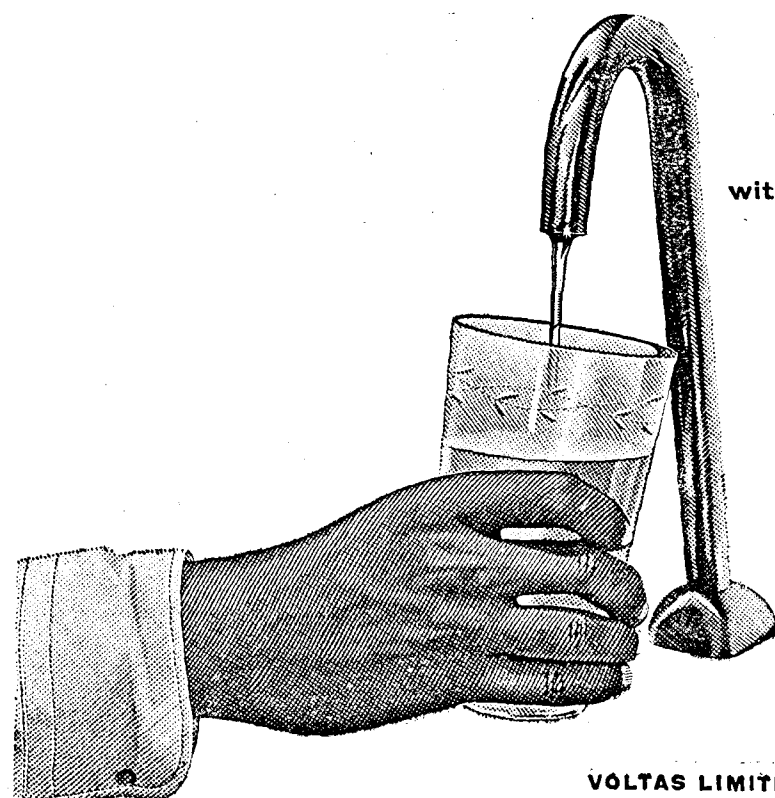


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This latest comparison is presented in Table 4 in two parts; the first column of percentages in the bottom half of the table presents the ratios between the sum of *un-guaranteed* private funds which have been invested and the corresponding amounts of public funds *directly* committed, while the second column makes a similar comparison between the total quantities of private (unguaranteed and guaranteed) and public (directly and contingently committed) funds. In this comparison, the I F C once again displays a relatively high private-to-public money ratio. But the World Bank, which averaged the lowest such ratio in the earlier comparison, now presents the highest one, when unguaranteed private funds are considered in relation to directly-committed public money; when the total sum for ratio institution is compared, the ratio drops precipitously (from 174 to 39 per cent), owing to the fact that the sum of World Bank bonds purchased by U S investors is nowhere near large enough to balance the uncalled 90 per cent of the United States' capital subscription, which more than covers the total amount of World Bank bond issues. Of the two lending institutions which held intermediate positions in the earlier comparison, the D L F now displays a private to-public ratio so low as to be virtually negligible,

while the Eximbank's ratio (for its regular lending programme) is also much lower in Table 4 than in Table 3. These discrepancies are reconcilable if enterprises involving U S private capital are a small part of the given agencies' total loan transactions, and this is indeed the case here: only nine of 153 D L F investments involved any form of participation by U S investors, while about 20 to 25 per cent of all postwar Eximbank credits (by dollar volume) have been accompanied by U S private funds.

Ratio of Public to Private Investment

Because of various uncertainties involved in the compilation of Table 4 and, even more important, the wide differences in emphasis placed by each of the five institutions on the attraction of private capital *vis-a-vis* other goals, generalizations about their relative effectiveness based on the ratios computed would have little meaning. We can, however, note the total ratio of private to public U S funds committed. When unguaranteed private flows are compared to direct commitments of public funds, the former turn out to be 22 per cent of the latter; when the comparison is between total private and public funds, the ratio is 24 per cent. Whether one includes guaranteed private funds and con-

tingent government commitments or not, the conclusion remains roughly the same: the United States Government has tied up between four and five dollars in the operations of the five institutions for every dollar of U S private capital which has gone abroad in connection with their activities.

This result makes at least two conclusions fairly obvious. One relates to the role of "catalyst" or "bridge" for private capital which the founders and early supporters of most of these institutions foresaw as their main function. In this narrowly-defined role the five agencies, taken as a group, are clearly failures; a mechanism which requires four or five public dollars to move one private dollar may be very useful, but it is no catalyst, and the inclusion of the figures for non-U S private funds, omitted of necessity here, could not change the figures enough to alter this basic conclusion. Likewise, these results offer little hope that the efforts of these institutions will soon enable the United States Government to turn over the responsibility for external development financing to private capital going abroad for profit. Unless the United States' past and present contributions to economic development, of which its commitments to these five agencies form only a

TABLE 4: US Private Funds Invested Abroad in Conjunction with the Five Agencies in Relation to US Public Funds Committed to these Agencies, 1960

(In millions of dollars)

Agency	Private Funds		Public Funds		Percentages	
	(1) Unguaranteed Investment	(2) Guaranteed Investment	(3) Direct Commitment	(4) Contingent Commitment	Unguaranteed Private Investment as % of Direct Public Commitments [(1) divided by (3)]	Total Private Investment as % of Public Commitments [(1+2) divided by (3+4)]
Investment Guarantee Programme	—	324.1	—	205.5	—	157
Export-Import Bank	—	—	9,055.5*	—	13	13
Regular	1,147.6	—	66.7	—	206	206
Cooley	136.3	—	—	—	—	—
World Bank	1,105.6	1,365.0	635.0	5,715.0	174	39
International Finance Corp	45.8	—	35.2	—	130	130
Development Loan Fund	18.1	5.0	1,333.4	5.0	1.4	1.7
Total:	2,453.4	1,694.1	11,125.8	5,925.5	22	24

* Net of private participation but not of reductions or cancellations.

Sources: Columns (1) & (2) from sources cited in Table 1.

Columns (3) & (4) from IBRD, 15th Annual Report—1959-60

Export-Import Bank of Washington, Report to the Congress, June 1959-June 1960

International Finance Corp; Fourth Annual Report—1959-60

Unpublished data supplied by officers of the Investment Guarantee Programme and the Development Loan Fund.

part, are grossly excessive, the ratios here cited indicate that no such "shifting of the burden" can take place in the foreseeable future within these five institutions, much less outside them.

Fruitful Role

By these observations I do not mean to imply, however that the agencies' role as mobilizers of private capital has been a futile one. For one thing, although procedures are now beginning to be worked out whereby developing countries can obtain the "fringe benefits" of foreign investment — e.g. entrepreneurial experience, technological sophistication, etc — without foreign ownership (for instance, through management contracts), responsible direct investment remains one of the most efficient means of obtaining these skills, and the five agencies are in an excellent position to steer such investment where it is needed and can best be utilized. Less obvious but also important, is the fact that such arrangements may well give the business community of the United States (as well as other capital-exporting countries) an increased knowledge, interest and stake in economic development abroad and the role played in it by external financing. By thus breaking down some of the widespread hostility in advanced countries to "foreign aid" in its pure form, increased private participation in some of the activities of these agencies may indirectly smooth the path for other development assistance transactions which do not and cannot involve such participation.

When viewed as engines for the substitution of private for public development financing, the activities discussed here appear to be inadequate and largely futile gestures, but when regarded as a means for creating a better complementary relationship between the two types of capital outflow, their past and present development presage an increasingly useful and fruitful future.

Rural and Urban Population

THE population in urban and rural areas is practically in the same proportion today as it was ten years ago.

In 1951, the percentage of urban population to the total count was

17.38, (6.19 crore persons out of 35.92 crores). In 1961, it is 17.84 per cent, 7.78 crores persons out of 43.64 crores. The rural population then was 82.62 per cent (29.41 crores persons), and now it is 82.16 per cent (35.86 crores).

The highest increase in urban population during the last ten years has been recorded in Assam, 116.69 per cent. Orissa comes next with 87.02 per cent, followed by Bihar, 49.08 per cent. Madhya Pradesh showed an increase of 47.76 per cent while Kerala 42.44 per cent.

In other States the percentage of increase in urban population is : Punjab-33.02; West Bengal-28.88; Madras-22.91; Maharashtra-19.59; Gujarat-19.25; Mysore-16.41; Andhra Pradesh-15.13; Rajasthan-9.40, and Uttar Pradesh-9.86. The figures for Jammu and Kashmir are not yet available.

In the State of Jammu and Kashmir, 65.34 per cent of its urban population lives in cities having population of one lakh and over. Maharashtra has 62.28 per cent of its urban population in big cities, while West Bengal 58.18.



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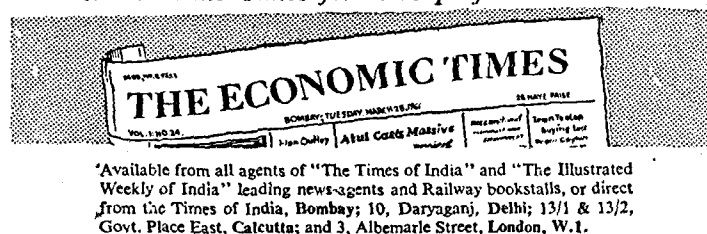
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Shift in Consumer Expenditure

Sreelekha Basu

Attempts have been made from time to time to study the NSS data on household consumer expenditure as a preliminary step towards the study of income distribution, as well as to have an idea of the variations in this expenditure over time in order to measure the changes in the standard of living of the people.

Most of these studies presented results on the distributions of the various rounds of the NSS separately, as these rounds were of varying duration.

But few attempts have been made to combine the distributions, which would have been more meaningful.

For this purpose, round-wise distributions should be weighted in proportion to the duration of the respective rounds.

An attempt has been made in this note to combine the NSS consumer expenditure data in a meaningful way, with a view to study the changes in the expenditure distributions at the urban, rural and all-India level, over the years 1952-53 to 1956-57 and to find out if any shift has occurred in the pattern during the period.

The views expressed are those of the author in her personal capacity.

THE data used in this note relate to the 4th, 5th, 6th, 7th, 8th, 9th, 10th and 11th rounds of the NSS. Reports of the subsequent rounds are not yet available. The time coverage for these rounds was as follows :

Rounds	Period of Survey
4th	April-September 1952
5th	December 1952 to March 1953
6th	May-September 1953
7th	October 1953 to March 1954
8th	July 1954 to March 1955
9th	May to September 1955
10th	December 1955 to May 1956
11th	August 1956 to January 1957

Straight averages of 4th and 5th round figures have been taken to represent the year 1952-53. Similarly, 6th and 7th round data would represent 1953-54, and 9th and 10th round would stand for 1955-56. These combinations, however, do not strictly represent the years mentioned above, but each

combination roughly covers 10 to 11 months of the year it is supposed to represent. Some adjustments should have been made for the durations of the various rounds combined. But here again, as these rounds are roughly of 4 to 6 months' duration, an ordinary average has been used for combining them. Data relating to the 8th round (covering 9 months of 1954-55) and 11th round (covering 6 months of 1956-57) are supposed to represent the years 1954-55 and 1956-57 respectively, in the absence of any other data available for these years in the NSS reports.

Basis of Data

The NSS reports on consumer expenditure supply data on average per capita expenditure for various expenditure groups separately for urban and rural areas, together with the corresponding percentages of total urban and rural population in the respective groups. The data on per capita expenditure distributions

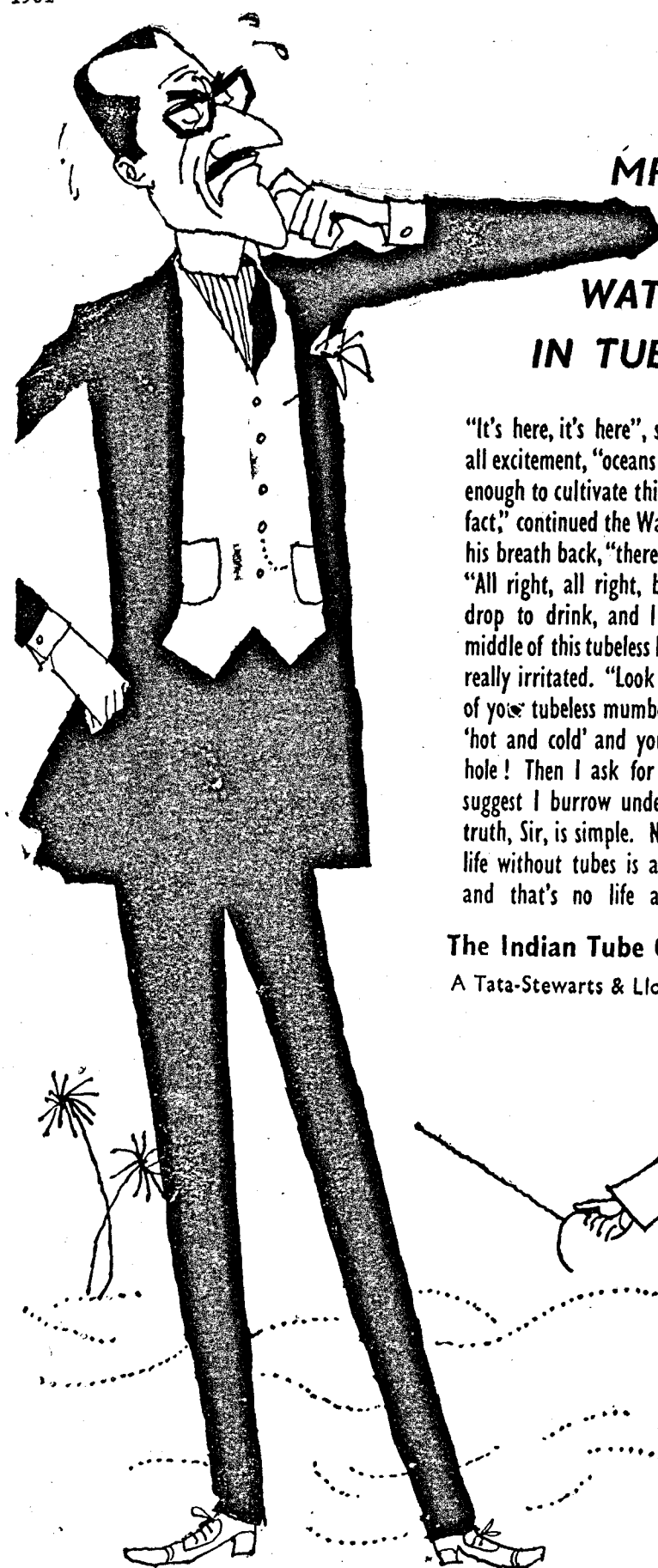
for urban and rural areas have been pooled together separately for rounds as mentioned above to obtain annual estimates of urban and rural India separately. Then these urban and rural estimates for a year have been pooled together to arrive at the all-India estimates.

For the 8th and the 11th rounds, urban and rural distributions have been pooled together to arrive at the all-India figures for the years 1954-55 and 1956-57 respectively.

The monthly per capita expenditure figures are converted into annual per capita figures, and the distribution is cumulated to rework the frequencies in suitable groups viz Rs 0-100, Rs 101 to 150, Rs 151 to 200, Rs 201 to 300, Rs 301 to 400, Rs 401 to 500, Rs 501 to 600 and Rs 601 and above. After decumulating the frequencies, we obtain the frequency distributions of the total population and the total expenditure for the year 1952-53 to 1956-57.

Table 1 : Percentage Distribution of Population and Total Consumer Expenditure By Per Capita Annual Expenditure Classes

(All-India)										
	1952-53		1953-54		1954-55		1955-56		1956-57	
	Pop	Exp	Pop	Exp	Pop	Exp	Pop	Exp	Pop	Exp
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Below 100	9.3	2.8	11.5	3.5	22.5	8.0	17.1	6.0	13.7	5.1
101-150	20.4	9.4	23.0	11.7	29.6	18.5	28.8	16.8	28.9	16.4
151-200	20.5	14.5	20.9	15.4	17.8	16.2	19.2	16.5	23.2	19.3
201-300	22.9	22.0	21.3	22.2	15.0	19.2	17.8	21.4	17.7	20.6
301-400	12.5	16.2	11.3	16.0	7.2	12.3	8.0	12.8	8.7	13.6
401-500	6.4	10.9	5.0	9.1	3.6	7.7	4.1	8.0	3.5	6.5
501-600	2.4	4.9	2.4	5.4	1.2	3.4	1.7	4.2	1.5	3.6
601 and above	5.6	19.3	4.6	16.7	3.1	14.7	3.3	14.3	2.8	14.9



MR. TUBOPHILE GOES WATER DIVINING IN TUBELESS TIMES

"It's here, it's here", screamed the Water Diviner, all excitement, "oceans of fresh water underground... enough to cultivate this land for ever and a day. In fact," continued the Water Diviner, when he had got his breath back, "there's water, water everywhere"...

"All right, all right, but meanwhile there's not a drop to drink, and I am dying of thirst in the middle of this tubeless land," retorted Mr. Tubophile, really irritated. "Look here, chum, I've had enough of your tubeless mumbo jumbo. I ask for running 'hot and cold' and you take me to a dirty water hole! Then I ask for a drink of water and you suggest I burrow underground like a rodent. The truth, Sir, is simple. No tubes, no water! In fact, life without tubes is apt to be life without water and that's no life at all."

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Table 1 gives the percentage distributions of the population and consumer expenditure in India by per capita annual expenditure classes. The replacement of monthly per capita expenditure classes by annual expenditure classes might have introduced some approximations. But, our study of the same material by "fractile method", wherein the monthly expenditure distribution data were directly utilised without any attempt to bring them into annual estimates, indicated that the approximations were not in the least significant. The findings of our study by using "fractile method" are given below.

From table 1 we find that half of the population was in the expenditure level "below Rs 201" in 1952-53, 70 per cent in 1954-55 and 66 per cent in 1956-57. The percentage of the population above the expenditure level Rs 500 per year was 8 in 1952-53 and a little above 4 in 1956-57. Thus there has been a shift towards lower levels of expenditure for the population as a whole, though no systematic rise or fall can be detected.

The lower three-fourths of the population accounted for some 49 per cent of total consumer expenditure in 1952-53, 46 per cent in 1954-55 and 50 per cent in 1956-57. The top 10 per cent accounted for more than 25 per cent of the total expenditure in 1952-53, 30 per cent in 1954-55 and 28 per cent in 1956-57. These variations are partly due to price changes over the period under study. If the prices of commodities consumed by the poorer people increase at a faster rate than those of the so-called luxuries or vice versa, the above figure will not present the correct picture.

The use of the "fractile method" presenting the population arranged in percentile groups in order to compare the same population over two points of time, however, would not be seriously affected by variations in prices over the period. Hence, NSS data on estimated distribution of persons by monthly per capita expenditure groups for the various rounds combined over the urban and rural estimates and over rounds (where necessary) to arrive at all-India annual estimates are arranged in percentile groups and presented in table 2.

It may be seen from table 2 that except in 1954-55, there has hardly been any change in the share of the lowest 75 per cent of the population, which varies between 50 and 51 per cent of the expenditure of the entire population. The same may be said about the lowest 50 per cent of the population also, who account for around 27 per cent of the total expenditure in all the years under study, except in 1954-55. It is difficult to explain why the shares of the poorer 50 or 75 per cent of the people recorded a fall during 1954-55. For the lowest 25 per cent of the people, however, there has been a gain of one per cent in 1956-57 over 1952-53. For the top 10 per cent of the population, there was a considerable increase in 1954-55 over the earlier years followed by a decline during the next two years, resulting in a slight increase in their share in 1956-57 over that in 1952-53.

No Definite Conclusion

It is difficult to draw any definite conclusion relating to the changes in the standard of living at the all-India level from the above data. It seems there has not been any significant rise or fall in the level of living of the people in general over 1952-53 to 1956-57. The fluctuations noticed may be due to the various assumptions underlying the estimates as well as to the sampling variations.

Group expenditure as per cent of total expenditure in urban and rural areas have been shown in the Annexure. For the rural population, a

rise in the share of the poorer people has been recorded. Thus the share of the lowest 25 per cent has increased from 10.00 per cent in 1952-53 to 11.6 per cent in 1956-57, and that of the lowest 50 per cent has increased from 27.4 per cent to 28.7 per cent during the same period, though no systematic trend during the period can be noted. For the richest 5 per cent or 10 per cent of the rural population, hardly any change was recorded, except in 1954-55, when its share increased significantly. But the estimates arrived at, as already mentioned, are subject to the methodological limitations of linear interpolation of the basic data. But the fluctuations in the shares of the various 'fractiles', noticed during 1954-55, may be partly due to the fall in the general price level during the year.

So far as the urban population is concerned, there has been a decline in the share of the poorer 75 per cent from 49.0 per cent in 1952-53 to 46.1 per cent in 1956-57. The poorest 25 per cent or 50 per cent of the urban population also accounted for a smaller share of total urban expenditure in 1956-57 than in 1952-53. The top 10 per cent, however, increased their share from 30.8 per cent to 33.1 per cent over the period under study. The fluctuations recorded in the share of different sections in the total expenditure should be viewed with reservations, but it may be safely said that while the share of the total rural expenditure accounted for by the poorer people has increased during the

Table 2: Group Expenditure as Percentage of Population
(All-India)

Fractile group (Percentage interval)	1952-53	1953-54	1954-55	1955-56	1956-57
(0)	(1)	(2)	(3)	(4)	(5)
0-5	1.4	1.4	1.7	1.7	1.8
6-10	1.5	1.6	1.8	1.8	1.8
11-15	2.1	2.0	1.9	1.9	2.1
16-20	2.3	2.3	2.0	2.0	2.5
21-25	2.5	2.5	2.3	2.6	2.6
26-30	2.8	2.8	2.5	2.7	2.7
31-35	3.2	3.0	2.9	2.9	3.0
36-40	3.3	3.4	3.0	3.1	3.3
41-45	3.8	3.5	3.3	3.1	3.5
46-50	3.8	3.8	3.5	3.6	3.8
51-55	4.1	4.2	4.0	4.2	4.1
56-60	4.4	4.4	4.3	4.4	4.5
61-65	4.7	4.9	4.6	4.7	4.6
66-70	5.5	5.1	5.2	5.3	5.0
71-75	5.7	5.8	5.5	5.8	5.5
76-80	6.4	6.3	6.2	6.4	6.1
81-85	7.2	7.2	7.3	7.2	6.8
86-90	8.0	8.3	8.3	8.3	7.9
91-95	11.3	11.2	12.0	11.1	11.4
96-100	16.0	16.3	17.7	16.9	17.0

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Annexure

Group Expenditure as Percentage of Population
Expenditure for Urban and Rural Areas

Fractile group (Percentage interval)	1952-53		1953-54		1954-55		1955-56		1956-57	
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural
0-5	1.1	1.5	1.2	1.5	1.3	1.8	1.3	1.8	1.2	2.0
6-10	1.7	1.5	1.6	1.6	1.5	1.9	1.7	1.8	1.6	2.0
11-15	1.9	2.1	1.7	2.1	1.9	2.0	1.9	1.9	1.9	2.1
16-20	2.1	2.3	2.2	2.5	1.9	2.1	2.1	2.0	2.0	2.7
21-25	2.4	2.6	2.5	2.5	2.4	2.3	2.4	2.8	2.3	2.8
26-30	2.6	2.8	2.6	2.8	2.4	2.9	2.5	2.9	2.4	2.9
31-35	3.0	3.3	3.0	3.1	2.8	3.0	2.9	3.0	2.8	3.0
36-40	3.0	3.4	3.1	3.4	2.9	3.1	3.1	3.1	2.9	3.5
41-45	3.5	3.9	3.5	3.7	3.4	3.2	3.3	3.7	3.3	3.6
46-50	3.6	4.0	3.5	4.0	3.5	3.9	3.4	3.7	3.3	4.1
51-55	4.0	4.2	4.2	4.2	4.0	4.1	4.0	4.2	3.8	4.2
56-60	4.4	4.6	4.3	4.5	4.1	4.4	4.3	4.4	4.0	4.7
61-65	4.7	4.7	4.7	5.0	4.5	4.6	4.5	5.0	4.5	4.8
66-70	5.5	5.5	5.0	5.2	5.1	5.4	5.3	5.2	4.9	5.0
71-75	5.5	5.9	5.7	5.8	5.5	5.5	5.8	5.9	5.2	5.8
76-80	6.6	6.3	6.3	6.5	6.2	6.5	6.3	6.5	6.1	6.1
81-85	6.8	7.3	6.9	7.2	7.5	7.2	7.4	7.1	6.8	6.8
86-90	6.8	8.1	8.6	8.0	8.4	8.2	8.4	8.1	7.9	7.9
91-95	14.9	9.7	13.7	9.6	12.8	10.3	11.8	10.2	14.0	9.3
96-100	15.9	16.3	15.7	16.8	17.9	17.6	17.6	16.7	19.1	16.7

period under study, there has been either no change or only a small change in the reverse direction for the urban population, the share of the richer sections of the population recording an increase over the period.

The changes observed are mostly quite small and may not be statistically significant. Moreover, the data on consumer expenditure as collected by the NSS in the various rounds are not strictly comparable for a number of reasons such as regional price differences, changes in prices within rounds, employment of moving reference period, change in some concepts over the rounds, etc. The consumer expenditure data as shown in NSS reports include imputed value of consumption of home-grown produce and also consumption of commodities acquired through barter exchange. The rates used for imputation were retail prices for earlier rounds and ex-farm rates for later ones. Hence, a round-to-round comparison is not strictly possible. As regards coverage also, Jammu and Kashmir was not covered by the NSS before the 9th round. In spite of all these limitations, we may accept the results arrived above as broad indicators subject to revisions and refinements when further data are made available.

Power Growth

The installed capacity for power generation in the country at the end of the Second Five Year Plan rose to 4,681,700 kW from 1,362,839 kW on 31 December 1947.

The installed capacity at the beginning of the First Five Year Plan was 1,712,647 kW rising to 2,689,800 kW at the end of the Plan.

This information was given by Hafiz Mohammed Ibrahim, Union Minister of Irrigation and Power, at the last meeting of the Informal Consultative Committee.

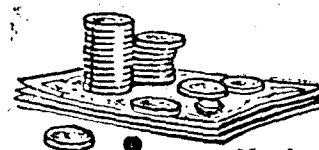


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From the Chair

Bombay Suburban Electric Supply Limited

Speech of the Chairman, Mr. A. N. Haksar

THE following is the Speech delivered by the Chairman, Mr A. N. Haksar, at the Annual General Meeting of Bombay Suburban Electric Supply Limited held in Bombay on Wednesday, 9th August 1961 :

The Report and Accounts already before you reflect a satisfactory record of operations during the year ended 31st March 1961. Increase in sales energy has kept up the trend of the past average of 20%. The pace of increase in the coming year should, if anything, be steeper; this is, of course, assuming that bulk power in sufficient quantity will be available to meet the needs in the Company's area of supply.

From a preliminary study of the power requirements in the Company's System, it is estimated that the demand by 1976 would be in the region of 200 MW. In this context studies are, therefore, now under way to formulate a 15-year development plan. This involves appraisal, both technical and financial, of the future design of the whole system. Substantial progress in the study of the problem is expected to be made during the current year.

All these future developments involve considerable investment; but investment in the Electric Supply Industry is being impeded by the financial regulations governing it. The fact that the return at present prescribed by the Electricity (Supply) Act, namely, 2% over the Reserve Bank rate of 4%, which again is subject to deduction of tax, is definitely inadequate, has been obvious for some time, and persistent efforts are being made to obtain a measure of relief. This involves important amendments to the Electricity (Supply) Act.

Indications at present are that the proposals to amend the Electricity (Supply) Act may be brought into effect from 1st April 1962, and I earnestly hope that this expectation will materialise. In the meantime, in some of the States, including Maharashtra, the State Governments have permitted undertakings, as a special appropriation, the tax saving represented by the difference between

the pre-1959 tax rate of 51.5% and the new rate 45% based on the Finance Act of 1959. This interim relief, is, I think, an earnest of the authorities' acceptance of the Industry's case for a fair deal.

Extent of Relief

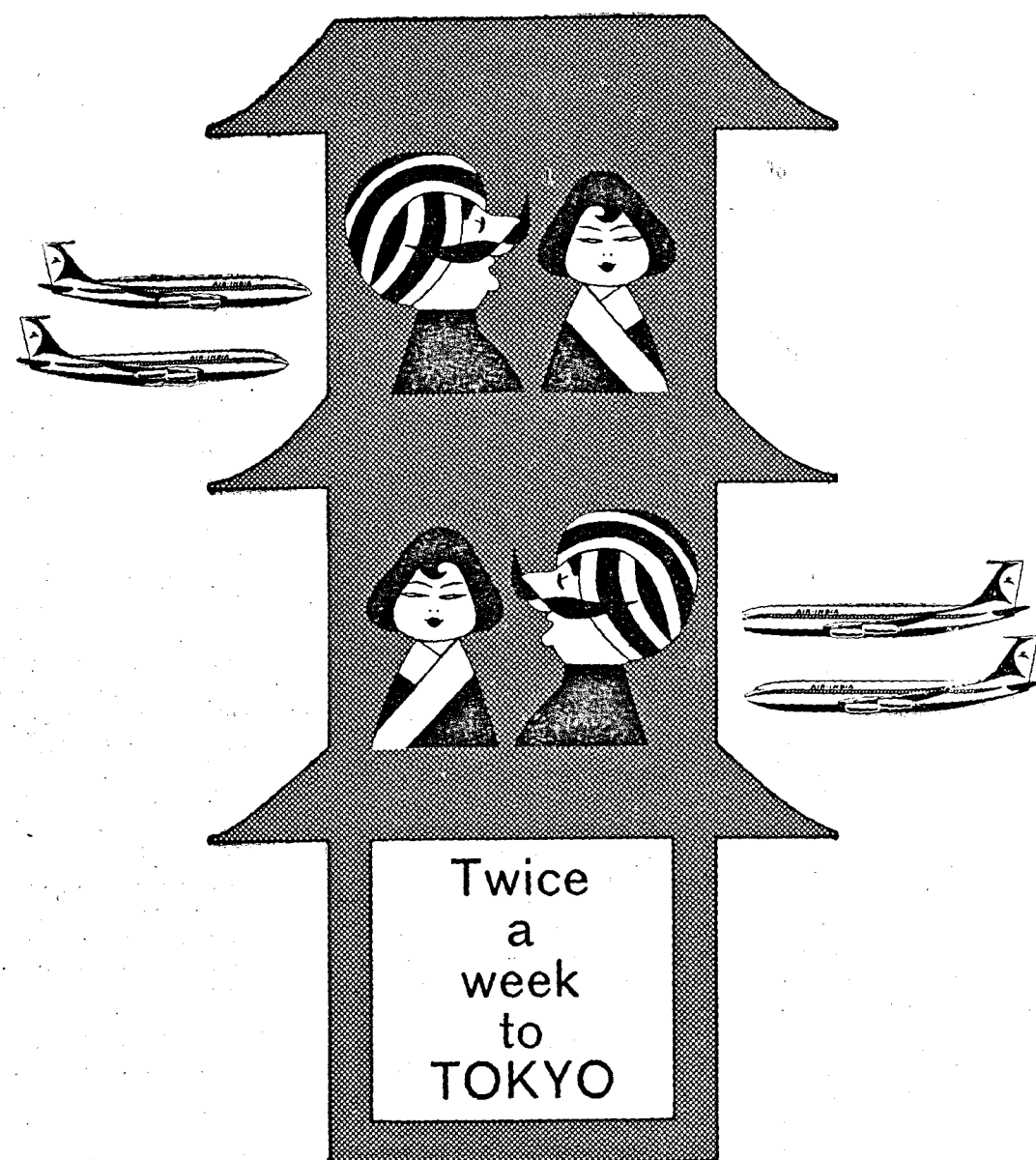
I would now like to make some comments on the extent of relief required to rehabilitate the Industry, and enable it to raise capital for development. Two primary factors have tended to depress equity values in the Electric Supply Industry. These, in broad terms, are—

1. The change in the tax pattern introduced by the Finance Act, 1959, whereby the grossing up of dividends in the hands of shareholders was abolished, and in addition the law provided for deduction of tax at source at the prescribed rate (currently 30%). While this is a common feature affecting Industry at large, the Electric Supply Industry is placed in a position of not being able to take advantage of the tax relief offered by the Finance Act in other directions, in that whereas in other industries this relief has accrued to the benefit of the investor, in the case of the Electric Supply Industry this has not been so. This certainly is not in conformity with the scheme of the Electricity (Supply) Act. One would have thought that with the Electricity (Supply) Act providing for all taxes on income and profits being charged up to the consumer's account, taxation in all forms on the Electric Supply Industry would have automatically become the consumer's liability. As things have shaped this position has not been achieved. The priority from the Industry's point of view, therefore, is the need for such changes in the Electricity (Supply) Act as would make the return free of all tax liability, be it to the undertaking or to the investor.

2. The second issue has directly

arisen out of the official Bank Rate (to which is linked the return permitted to the investor in the Industry) lagging behind the realistic interest rates. In a capital intensive Industry like Electric Supply, greater reliance has to be placed on long term finance as the Industry's requirements for development finance are, by and large, insatiable. Consequently the return fixed from time to time should be at such level as would firstly arrest dis-investment and secondly continue to attract capital for expansion. The recent change in the Reserve Bank's lending rate to Scheduled Banks as an instrument of the credit squeeze involves three-tier interest rates: first Rs. 50 lakhs at 4%, follow on Rs. 50 lakhs at 5% and the balance at 6%, producing a resulting average lending rate of about 5%. This, by itself, has put the official Bank Rate out of focus in relation to money market conditions. Another aspect which has significant relevance is that inflation has had its effect in diluting the limited return permitted to the investor in the Industry. In the light of these considerations it is only proper that the permissible return should be upgraded suitably.

I have in my opening remarks referred to your Company's expansion being dependent on the quantum of bulk power which would be available in the years to come. For the present the power supply position is far from easy, and releases of power to consumers is subject to control under the Bombay Electricity (Special Powers) Act. A measure of de-control is, however, in existence in that the Licensees in the area have been empowered to connect up small demands up to 20 kW for industries and domestic connections are permitted freely up to 5 kW. These de-control measures provide a degree of normal growth. To what extent relief will be available after the commissioning of the first set of the



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AIR-INDIA

IN ASSOCIATION WITH B.O.A.C. AND QANTAS

Koyna Hydro Electric Project early next year is too early to say. At one stage it was thought that the bulk of the power from the Koyna Project would be available for use in Bombay/Poona area, but currently there are indications that a sizeable portion of the Koyna power will be reserved for use in Western Maharashtra. This has led to the possibility of the Tata Hydro Companies being permitted to extend their Trombay Thermal Station and, in addition, the Maharashtra Electricity Board considering installation of a new thermal station. This trend emphasises that the power needs of the Bombay/Poona area on which base area must perforce depend industrial development elsewhere in the State, will be met. Your Company's plans for expansion should therefore proceed on the basis that it, along with other Licensees in the region, will be able to obtain sufficient bulk power releases.

From this premise will arise the question: How best the Company can finance its future development? For the present development has been sustained by Bank finance and before the current financial year is out the need for raising further finance will arise in all seriousness. By that time the proposals to modify the Electricity (Supply) Act will, we hope, have reached finality and I hope will produce a measure of incentive to the investor in the Industry. Your Board will then be in a better position to consider this matter further.

The large scale development in the Company's power system involving massive investment in the coming years, will pose the problem as to whether the rate for supply now in force will produce a sufficiency of earnings to service adequately the capital employed, and meet in addition the enlarged operational expenses inherent in development. While there is no doubt that the enlarged scope of operations will tend to spread overhead costs, one must reckon with the inflationary factor. One way to hold the price line in electric supply is to diversify the sale so as to obtain a higher load factor, that is, secure the beneficial utilisation of the power facilities more fully. There are, of course, limitations in this direction, as consumer choice is not a thing which can be rigidly endorsed. A strict watch on expenditure is yet another remedy

to control operational costs, but here again there are limits beyond which a public utility cannot go. For example, in a basic service like electric supply, continuity of supply overshadows all other considerations, and no undertaking can risk diluting its service facilities for economic considerations which are marginal. The need to supply power at the lowest economic cost must therefore be circumscribed by the greater need to maintain reliability and continuity of supply. This assumes greater importance in your Company's area of supply which has to contend with rigorous monsoon weather and unfavourable atmospheric conditions. A higher standard of maintenance of the Company's supply system is, therefore, necessary.

In the immediate years ahead the distributing Licensees in the Bombay/Poona area may have to face an increase in the bulk supply rate consequent to the injection of the Koyna power into the System. There is also the likelihood of higher fuel costs applicable to bulk power supply which might tend to curtail net earnings as the Company's rates for supply do not contain an escalator clause to take care of adjustments in fuel prices. This has been so because until recently bulk supply in the area has been from hydro sources, but this situation has been altered by the coming into being of a larger thermal component than existed before. To what extent the first cause may have its impact on your Company's overall earnings is too early to visualise at this stage. The second cause is the more immediate one to be reckoned with, and your management are now considering how best the situation can be met. It is possible that your Company may have to consider introducing a fuel adjustment clause to ensure that the rise or fall in fuel costs applicable to bulk supply will automatically be on account of the consumer.

Accounts

Dealing with the Accounts, I would like to clarify the Reserve created to augment production facilities, and the appropriations so far made to that Reserve. The first instalment of appropriation to this Reserve was made in the year 1959-60 consequent to the Maharashtra Government permitting the Company, along with other Licensees in the State, a special appropriation of 6½% of the tax saving about which

reference has been made earlier. When the accounts for 1959-60 were finalised, it was not certain as to what form the relief available would take. It was then thought that the amount permitted as special appropriation would be available for distribution to shareholders, but as events developed the scope of the sanction was limited to ploughing back the sum into the business without deduction from the Capital Base. It was in this context that the sum of Rs. 1,01,656 was taken into the Dividend Equalisation Reserve in the Accounts for 1959-60 and which amount has since been transferred to a Reserve to augment production facilities in the light of the subsequent Government sanction. This Reserve now stands at Rs. 2,06,130 taking into account the sum of Rs. 1,04,474 appropriated for the year under review, for which the sanction of the State Government is yet to be secured. Although the amount standing in this Reserve is not available for distribution, the benefit which will be derived by shareholders is not slight, as the assets acquired will remain the property of the Company and the return on the amount ploughed back will also be available for the benefit of the shareholders.

Note: This does not purport to be the proceedings of the Annual General Meeting which can be seen by any shareholder on request.

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DA - 61/281

Around Bombay Markets

Irregular but Steadier

Thursday, Morning

ALTHOUGH still indecisive, Dalal Street's trading pattern last week provided further indications that the corrective phase which had been in progress since about the beginning of June had probably run its course. The market's performance was still patchy but it was not unencouraging. And the market would have looked distinctly firm but for the pronounced weakness in Steels, which fell to new low levels in the recent downward move. The setback in Tata Steel reflected market's disappointment over the chairman's assessment of the company's production outlook. In his statement to the shareholders circulated along with the directors' annual report, Shri J R D Tata says that "we are not yet in sight of the full production of two million tons of ingots or one and a half million tons of finished steel and are not likely to be for the next two years." Reason: defective raw materials. Shareholders will be entitled to ask as to how the other producers have been able to show better results than TISCO. The slump in Indian Iron last week was said to have been caused essentially by heavy "distress" selling resulting from some payments difficulty in Calcutta.

Despite the pronounced weakness in Steels, most other sections showed distinct steadiness during the week and quite a few scrips recorded handsome gains. Century have risen from Rs 662 to Rs 691, Standard from Rs 1292 to Rs 1390 Bombay Burmah old from Rs 581 to Rs 606, Kohinoor from Rs 286 to Rs 300, National Rayon from Rs 530 to Rs 547 and Telco from Rs 351.50 to Rs 367. *Vyapar's* equity share index which had touched a low of 139.03 on in the preceding week improved to a high of 142.93 on the 7th but later moved irregularly lower to 140.49 on the 9th and at its closing of 141.57 the index showed a net gain of 1.20 over the week.

Reaction to Plan

That the recovery from the recent low levels is still slow and rather halting is not surprising. The market has been ailing for quite some time

Though it does not appear to be suffering from indigestion any more, it is still in a convalescing stage. Besides, the market has had to do a good deal of thinking on the Third Plan. Its reaction to the Plan has been a mixed one. The market is naturally concerned about the increase of Rs 60 crores in the burden of taxation over the Draft Outline figure of Rs 1650 crores. The figure of Rs 550 crores set for deficit financing is also not such as to encourage inflationary psychology on which the stock market has been thriving for long. The Plan also contains promise of a closer watch on 'monopolies' and 'economic concentration'. It is feared that the Plan might impose a serious strain on the resources available for the private sector. But there can be little doubt that an investment outlay of the order of Rs 10,400 crores, of which the private sector's share is Rs 4,100 crores, will give a tremendous fillip to the tempo of industrial development and lead to a substantial increase in investment opportunities. This is the biggest bull factor for the market. And the stock market can certainly derive considerable comfort from Shri Morarji Desai's assuring statement on the foreign exchange situation. He feels confident that the requirements of external aid set out in the third Plan will be forthcoming.

Cotton

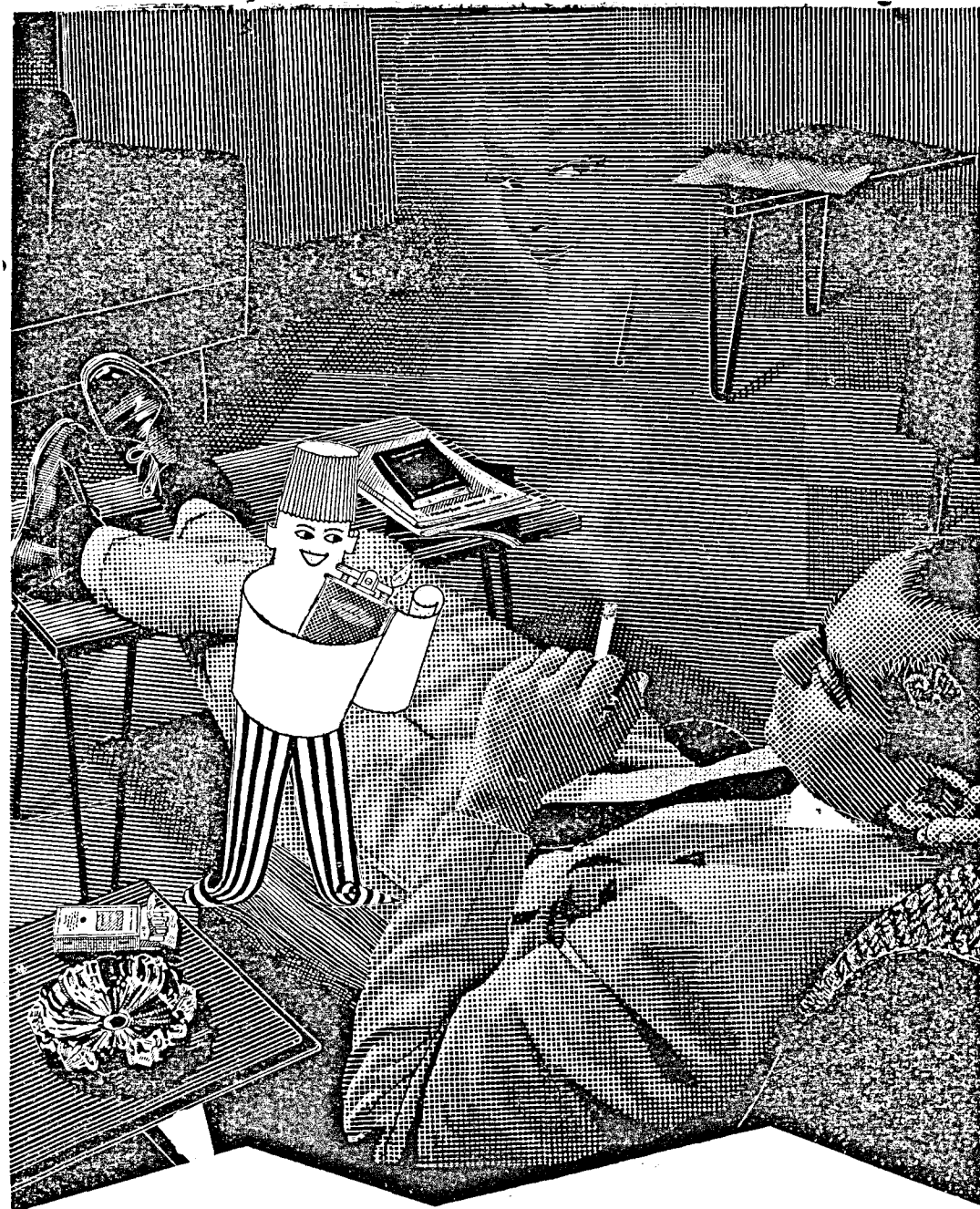
Poor Export Performance

SHIPPING bills against the recent export quota for 60,000 bales divided equally between Bengal Deshi and cotton stapling 3/4 inch and below are being accepted from 2nd August. But the business that has been put through during the past 7 days does not seem to exceed 13,000 bales of Deshi and 3,000 bales of the other variety. This is certainly a disappointing performance of a quota released on a first come-first-served basis. And what is more, to sell even this small quantity shippers have had to effect substantial reductions in their prices. Bengal Deshi fine which had been sold around 23.5 cents a lb. c and f

Atlantic ports a week ago is now wanted around 20.5 cents. France, West Germany and the U S are mentioned as the chief buyers. Japan has continued to keep off the market and there seems very little chance of selling Bengal Deshi or the other variety to Japan in the near future. The disappointing export performance and the low prices realised by cotton will surprise only a few. The export quota has been released very late in the season. While overseas demand is slack, shippers here are anxious to get rid of their stocks left unutilised from the previous quota in order to reduce their losses resulting from the declining trend in internal prices. Bengal Deshi prices which had been declining for quite some time have suffered a further decline of about Rs 40 per candy (784 lbs.) over the past week. The steep fall in Bengal Deshi prices reflects the existence of a sizable exportable surplus, poor overseas demand and prospects of a better crop ahead. Available reports indicate that the new Deshi crop in the Punjab is much larger than in 1960-61.

Prices Recede

The spot cotton market continues to be dull and easy. Spinner inquiry is restricted because mills are already carrying stocks which are sufficient to last them for nearly 5-1/2 to 6 months. Mills have been virtually forced to carry such large stocks because they have had to purchase cotton in order to relieve the cooperative societies in Gujarat of their burdensome stocks. There seems little chance of the spot market developing a firm tendency in the near future in view of the large carryover and prospects of good crop in 1961-62 season provided weather continues to be favourable. Reports from almost all the important producing areas indicate that weather has been obliging up to now. Of course it is much too early to form any dependable idea of the new crop. Cotton futures suffered a further setback last week. The maturing August contract was sold down to Rs 563 per 3 quintals which brings it fairly close to the



MR. AL FOIL GIVES A LIGHT

Fifty seven years' experience as Manufacturers of Aluminium Foils for packaging goods in the Cigarette, Pharmaceutical, Confectionary, Tea and many other industries.

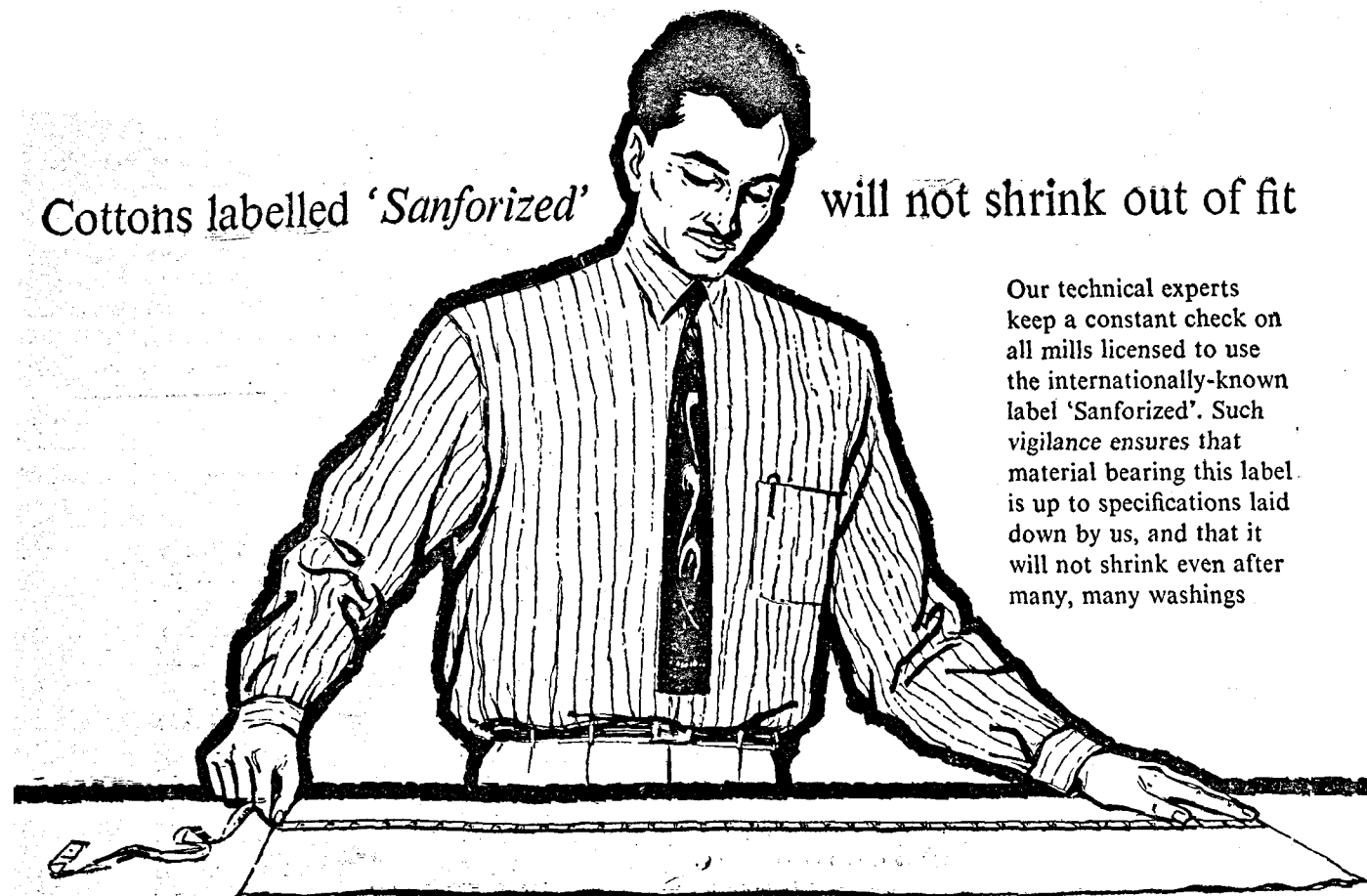
"Delightfully fresh, my Lady Nicotine... just as I like her." "Naturally," replied Mr. Foil with a knowing smile, "these are the virtues of the lady in question. Think of the protection she enjoys. Snugly wrapped in aluminium foil from tip to toe, the flavour of her tobacco, the freshness and fragrance are sealed within. Her foil wrap, as decorative as mink, protects her from dirt too. Sufficient reasons you'll agree, sir," finished Mr. Foil, "for the lady to insist on a foil wrap, whether she comes to you as a pipe smoke or a slender cigarette!"

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Our technical experts keep a constant check on all mills licensed to use the internationally-known label 'Sanforized'. Such vigilance ensures that material bearing this label is up to specifications laid down by us, and that it will not shrink even after many, many washings



Month after month and throughout the year, these experts visit the licensees, carefully examining fabrics both from the warehouses as well as off the processing machine



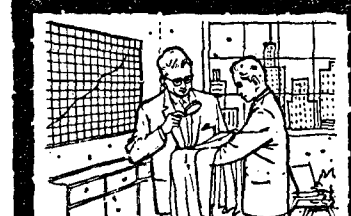
From each mill, they take an extensive random sampling of various fabrics. Each must be a quality fabric before it can be stamped with the label 'Sanforized'



These samples are catalogued; measured and submitted to rigorous wash and minimum shrinkage tests both here and in the U.S.A. in fully equipped technical laboratories



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A copy of these reports, together with their samples, are sent to the home office in New York. This multiple checking ensures that all cottons marked 'Sanforized' will not shrink out of fit

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Issued by Cluett, Peabody & Co. Inc., (Incorporated in the U.S.A. with limited liability) proprietors of the Registered Trade Mark 'Sanforized'. The use of the trade mark 'Sanforized' is permitted only on fabrics that meet this Company's rigid anti-shrinkage requirements.

For information: 'Sanforized' Service, 95 Marine Drive, Bombay 2

season's low of Rs 554 recorded on 14th February. The contract has declined even though tenders issued against it at 450 bales can by no means be considered large. The new crop March contract eased to a new low of Rs 585.25. It was quoted at Rs 604.50 on 14th July.

Oilseeds

Drifting Lower

WITH weather reports continuing to be quite encouraging and export business in oils virtually at a standstill, oilseeds prices last week suffered a further decline due to light but persistent selling pressure and lack of any important buying. Weakness was particularly marked in groundnut and linseed and it was by no means confined to futures. Not many weeks ago, groundnut ready karad bold were quoted around Rs 56 per 50 kgs and groundnut oil ready around Rs 23.60 per 10 kgs; they are now quoted around Rs 48 and Rs 21 respectively. Prospects of a larger crop have brought about a marked change in market psychology and there is a general tendency on the part of stockholders to dispose of their stocks. Though it is very premature to talk about the new groundnut crop with any measure of confidence, crop expectations range between 30 lakh and 33 lakh tons. Market men report a substantial increase in the acreage under groundnut in Saurashtra because of the record high prices fetched by groundnut this season despite reduced exports of groundnut HPS and groundnut oil. Groundnut January, which had eased from Rs 225 to Rs 218.50 since 7th July by the previous week-end, were marked down to a new low of Rs 215.25 last week. Groundnut oil January eased from Rs 18.10 to Rs 17.80. Linseed March fell from Rs 37.75 to Rs 36.94 per 50 kgs, cottonseed March from Rs 92 to Rs 90.50 (per 250 kgs) and castor March moved irregularly lower from Rs Rs 170.12 to Rs 169.75. The behaviour of the nearby contracts was no better. Castor September were down by Rs 1.50 over the week at Rs 168.62 and linseed September declined from Rs 39.75 to Rs 38.19.

Exports

Export business put through during the week in castor oil consisted of the sale of a few afloat parcels to the U K with BSS fet-

ching about £ 130 per ton. Shipments of castor oil this year up to 27th July total 17,522 tons whereas the figure for the corresponding period last year exceeded 35,000 tons. Shippers do not seem optimistic about selling castor oil in quantity in the near future. Exports of oilcakes, particularly of groundnut extractions continue to make a satisfactory showing. The U K was

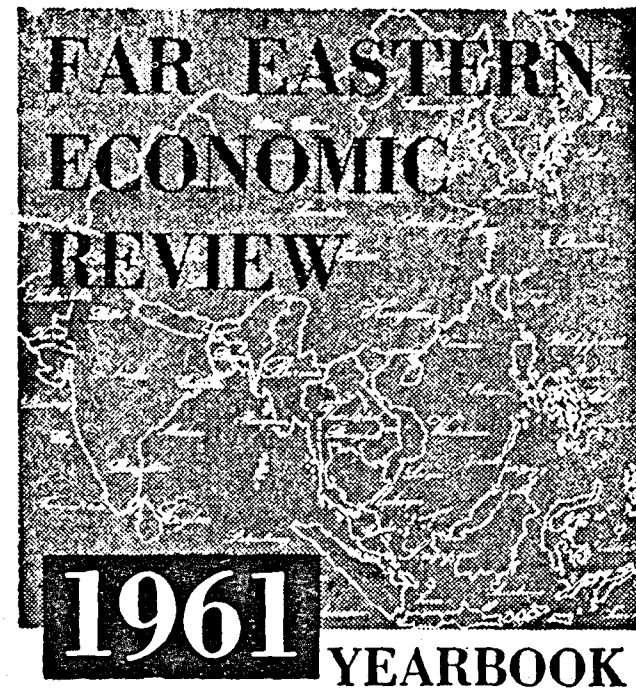
said to have purchased further large quantities during the week though prices paid were considerably lower than in the preceding week. September-October shipment was quoted around £ 31.5 against £ 32 realised in the preceding week. The decline in overseas prices is attributable mainly to increased offerings from India, not only for

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HONG KONG

nearby positions but also for distant deliveries. The U K was reported to have purchased small quantities of linseed cake and cottonseed cake, decorticated variety, around £ 34 and £ 29.10 per ton respectively. East Germany also took some linseed cake.

Following are the figures of shipments of oilseeds, oils and oil-cakes from Bombay between January and 27th July with the figures for January-August 1960 in brackets : groundnut 10,045 tons (12,278), kardiseed 140 (46), cottonseed 99 (nil), groundnut oil 154 (1,941), linseed oil 679 (4,424), castor oil 17,522 (35,169), groundnut expellers 10,976 (15,011), groundnut extractions 65,604 (64,940), niger cake nil (3,567), linseed cake 6,889 (32,328), cottonseed cake 16,275 (1,124) and mowra cake 573 tons (79 tons).

Bullion

Firm Tendency

BULLION prices hardened further last week. Gold Bhadrava delivery which had risen from Rs 119.80 to Rs 120.70 in the preceding week was bid up to Rs 122 on 8th August. It receded to Rs 121.65 the next day on corrective profit-taking. Silver Bhadrava which had improved from Rs 201.20 to Rs 202.30 rose further to a new high of Rs 203.95 to ease later to Rs 203.25. Improvement in both the metals was caused by persistent short covering, scarcity of offerings and emergence of fresh bull support. Traders reported only a modest improvement in off-take but arrivals tended to shrink. Upcountry advices were generally steadier, particularly in respect of silver. Certain prominent bulls who had been marking time for a long while were reported to be accumulating sizable positions in silver. With the average off-take exceeding arrivals, floating stocks were said to have suffered a small decline. The spot material continued to be quoted at a discount which declined from Rs 1.25 to Re 1 in the case of silver and from 25 nP to 15 nP for gold. Though many market men feel that the damage caused by floods in certain parts of the country may lead to some 'distress' selling of precious metals, few expect any material setback in prices.

Company Notes

B O A C

THE Annual Report of the British Overseas Airways Corporation for 1960-61 reveals a surplus on operating account of £ 4,264,219 after providing £ 9,966,781 (£ 7,484,192 in 1959-60) for obsolescence of aircraft. Revenue reached a new peak of £ 88,032,956, 25 per cent higher than in 1959-60, and total expenses amounted to £83,768,737. Interest payment on capital charged against the year's operations was £ 4,737,145, leaving a deficit of £ 472,926 (against a surplus of £ 277,813 in 1959-60).

B O A C's investments in its associated companies showed a deficit of £ 2,071,354 which exceeded the deficit in 1959-60 by £ 959,746.

The combined financial results of B O A C and its associates thus show a net deficit of £ 1,983,867 after taking credit for a sum of £ 560,413 arising from adjustments to previous years' accounts. A profit of £ 383,584 on redemption of B O A C Stock further reduces the amount added to the accumulated deficit which is therefore increased by £ 1,600,283 to £ 14,850,327. Of this £ 8,563,891 is attributable to the Associated companies and £ 1,447,387 to interest paid in respect of this lost capital.

The B O A C's concern over the poor results shown by some of the airlines in which it has invested is justified by the financial results for 1960-61. The Corporation has carried out an exhaustive examination of the associated companies and, in the light of this examination, has taken steps to remedy the situation. But political and other considerations and the existence in some cases of long-term agreements make immediate action impossible and, as a consequence, financial improvement will take time to materialise.

Capacity and Traffic

Largely as the result of the delivery of the fleet of 15 Boeing 707 aircraft, B O A C increased its total scheduled service capacity by a record of 31.8 per cent over 1959-60. (Capacity in 1959-60 was itself nearly 24 per cent higher than in 1958-59). Seat miles offered for sale increased by almost 35 per cent compared to 1959-60 and deadload capacity by 24 per cent.

THE ECONOMIC WEEKLY

The delay in the introduction of the 707s into the trans-Atlantic service as a result of the British Air Registration Board's decision to require pre-service modification of the aircraft was a distinct setback and cost the Corporation about £ 2 million in revenue. Financial results were also affected by the business recession in the United States which seriously depressed airline carryings from November last until after the end of the financial year.

However, notwithstanding the greatly intensified competition and the adverse factors mentioned above, the Corporation increased its total traffic volume by 26 per cent over the previous year and passenger miles flown by 29 per cent. In sum, it sold three-quarters of the total additional capacity and more than four-fifths of the additional passenger capacity.

Costs in relation to output were brought down to 30.3 pence per capacity ton mile from 34 pence in 1959-60. Output per employee reached the new high of 33,454 capacity ton miles, compared to 25,094 in 1959-60. Compared to three years ago, output per employee in 1960-61 was more than doubled.

Passenger Revenue

Further fare reductions in the lower and popular classes of travel caused a sharp slide of traffic from first class to economy classes. Consequently, the 28 per cent extension of passenger traffic produced only a 22 per cent increase in passenger revenue.

Of the 785,082 passengers carried on scheduled services by B O A C in 1960-61 more than three-quarters travelled economy or tourist classes (the tourist class was abolished during the year) and less than a quarter by first class. The total of 887,057 passengers carried on all services during the year represented a rise of 41.7 per cent over the previous year's total.

Cargo

Revenue from cargo at £6,679,481 was 25.5 per cent higher than in 1959-60. The significant developments in the field of freight traffic were the introduction of a twice-weekly North-Atlantic all-cargo service, complementing the 707 services (which themselves doubled hold capacity on these routes) and

THE ECONOMIC WEEKLY

the extension of existing cargo services in the eastern hemisphere.

BOMBAY SUBURBAN

BOMBAY Suburban Electric Supply Ltd (Managing Agents: Killick Industries Ltd) has completed another year of sustained progress. Earnings from energy sales increased by Rs 21.93 lakhs to Rs 144.27 lakhs during the year ended March 31, 1961.

Profit for the year rose from Rs 21.53 lakhs to Rs 26.11 lakhs after charging depreciation amounting to Rs 13.04 lakhs against Rs 11.58 lakhs and providing Rs 6.86 lakhs for taxation against Rs 7.38 lakhs.

Adding a sum of Rs 1.46 lakhs, being adjustments to consumers' benefit, and Rs 1,957 brought in to the net profit, and after deducting a sum of Rs 10,258 towards expenditure on new share capital issue and promotion expenditure, the amount available for appropriation works out at Rs 27.69 lakhs.

From this amount, the directors have allocated Rs 1.41 lakhs (Rs 1.01 lakhs) to the contingencies reserve, Rs 1.02 lakhs (nil) to tariffs and dividend control reserve, Rs 0.90 lakhs (Rs 4.44 lakhs) to consumers' benefit fund, Rs 6.54 lakhs (Rs 6.32 lakhs) to development rebate reserve, and Rs 1.65 lakhs (Rs 2.50 lakhs) to dividend equalisation reserve.

In addition, it is proposed to transfer a sum of Rs 1.04 lakhs to reserve to augment production facilities. This allocation is subject to Government approval.

After deducting these allocations, a sum of Rs 14.92 lakhs is available for distribution. The total dividend for the year at 8.50 per cent subject to tax against 8 per cent will absorb Rs 14.87 lakhs against Rs 14 lakhs, leaving a sum of Rs 4,522 to be carried forward.

The company's total reserves on March 31, 1961 stood at Rs 99 lakhs as compared with the paid-up capital of Rs 1.75 crores.

Sales of energy rose during the year from 121.3 million kWh to 144.8 million kWh, or by 19.42 per cent. More than 11,000 new consumers were connected to the mains during the year, bringing the total number of consumers to almost 92,000.

THE INDIAN IRON & STEEL CO. LTD.

Notice

NOTICE is hereby given that the Annual General Meeting (being the Forty-fourth Ordinary General Meeting) of the Company will be held at the Royal Exchange Hall of the Bengal Chamber of Commerce & Industry at 6, Netaji Subhas Road, Calcutta-1, at 3 p.m., on Tuesday the 5th September 1961, for the following purposes :

1. To receive and adopt the Audited Accounts for the year ended 31st March 1961, and the Directors' & Auditors' Reports thereon.
2. To declare a dividend for the year ended 31st March 1961 on the Ordinary Share Capital.
3. To appoint a Director in place of Maharajadhiraja Sir U. C. Mahtab Bahadur of Burdwan who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Maharaja Sir P. C. Bhanj Deo of Mayurbhanj who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Maharajadhiraja Sir Kameshwara Singh of Darbhanga who retires by rotation and is eligible for re-appointment.
6. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

To consider and if thought fit to pass the following resolution as a Special Resolution.

7. SPECIAL RESOLUTION

That pursuant to subsections (4) and (7) of Section 309 of the Companies Act 1956 and subject to the limitation imposed by Clause 113 of the Articles of Association of the Company each of the Directors be and is hereby authorised to continue to receive in respect of each of the five financial years of the Company up to and including the financial year ending on the 31st March 1966 a share in a commission of one per cent of the net profits of the Company computed in the manner referred to in subsection (1) of Section 198 of the said Act.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and a proxy need not be a member.

By Order of the Board,
MARTIN BURN LIMITED

F. G. Liversedge
Managing Director
Managing Agents.

Registered Office :

12, Mission Row,
Calcutta - 1,
10th August, 1961.

Note : An Explanatory Statement is annexed to the convening notice issued to Members of the Company.

THE UNITED COMMERCIAL BANK LTD.			
Head Office : CALCUTTA			
PAID-UP CAPITAL Rs. 2,00,00,000	OUR		RESERVE FUND Rs. 2,05,00,000
RECURRING DEPOSIT SCHEME			
REGULAR MONTHLY DEPOSIT			
OF	Rs. 10	Rs. 100	Rs. 500
Will grow to :			
In 46 Months.	Rs. 500	Rs. 5000	Rs. 25000
In 86 Months.	Rs. 1000	Rs. 10000	Rs. 50000
Chairman : G. D. BIRLA		General Manager : S. T. SADASIVAN	

CURRENT STATISTICS

BANKING RETURNS

(Rs crores)

Reserve Bank	Aug 4	July 28	July 7	Aug 5 '60
1 Note circulation	1903.98	1890.76	1949.27	1812.32
2 Rupee coin	122.87	123.93	119.03	129.43
3 Deposits	354.28	290.96	266.30	333.02
(a) Central Govt	53.26	77.09	54.51	57.38
(b) Other Govts	18.83	20.56	8.96	17.85
(c) Banks	81.44	81.71	91.69	118.45
(d) Others	200.75	111.61	111.14	139.34
4 Foreign securities	116.86	93.01	93.01	128.01
5 Balance abroad	35.81	5.03	16.54	19.85
6 Rupee securities	1563.37	1587.22	1646.93	1451.57
7 Investments	289.50	241.11	183.56	258.80
8 Loans and advances to Govts	42.09	40.87	37.16	37.07
9 Other loans and advances	115.53	114.80	123.79	122.05
Scheduled Banks	July 28	July 21	June 30	July 29 '60
1 Aggregate liabilities	1862.23	1869.63	1852.49	1962.50
2 Aggregate deposits (net)	1788.73	1794.76	1774.55	—
(a) Demand (net)	713.79	719.78	723.82	774.87*
(b) Time (net)	1074.94	1074.97	1050.73	1187.63*
3 Cash in hand	44.17	46.19	54.56	44.09
4 Balance with Reserve Bank	77.26	100.09	87.62	119.36
5 (3)+(4) as % of (1)	6.52	7.82	7.68	8.33
6 Borrowings from Reserve Bank	2.40	1.92	15.69	24.64
(a) Against usance bills and/or promissory notes	0.92	1.01	10.50	9.12
(b) Others	1.48	0.91	5.19	15.52
7 Advances	1084.74	1090.69	1106.23	968.76
(a) State Bank	236.72	240.73	246.60	194.72
(b) Others	848.02	849.96	859.63	774.04
8 Bills discounted	107.35	111.69	121.62	106.75
(a) Inland	43.59	43.76	43.70	46.16
(b) Foreign	150.94	155.45	165.32	152.91
(c) Total	13.97	14.09	14.14	13.71
(i) State Bank	136.97	141.36	151.18	139.20
(ii) Others	66.35	66.65	68.84	57.16
9 (7)+(8c) as % of (1)	577.82	574.08	549.01	723.86
10 Investment in Govt securities	31.03	30.71	29.64	36.88
11 (10) as % of (1)	215.71	207.99	170.27	205.00

* 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 cent per annum)

(Selected Scheduled Banks other than the State Bank)	July 28	July 21	June 30	July 29 '60
Call Money from banks	3.08	2.88	4.25	3.53
Deposits:				
Seven days	—	3.00	3.00	3.37
Three months	—	—	—	3.50
Six months	3.75	3.74	3.75	3.48

Bombay Bullion

(Rs and nP)

Gold	Aug 10	Aug 3	July 13	Aug 11 '60
(per 10 grammes)				
Spot	121.55	120.25	120.05	114.16
Forward	122.30	120.65	119.45	112.93
Silver (per kilogram)				
Spot	202.50	201.50	200.15	129.16
Forward	203.40	202.70	200.95	189.90

INDEX NUMBER OF WHOLESALE PRICES

(Base : 1952-53=100)

	1-7-61	24-6-61	3-6-61	2-7-60
Food Articles	122.6	122.2	119.3	121.7
Cereals	103.5	102.8	101.0	108.4
Pulses	91.7	91.2	90.7	92.7
Fruits & Vegetables	135.6	131.9	121.4	119.6
Milk & Ghee	114.9	115.2	113.2	118.1
Edible Oils	166.7	165.3	160.9	143.5
Fish, Eggs & Meat	132.8	130.7	127.6	124.1
Sugar & Gur	125.0	126.4	119.8	139.6
Others	182.2	182.8	180.0	165.4
Liquor & Tobacco	97.8	98.6	101.9	110.5
Tobacco	94.1	95.0	98.5	109.1
Fuel, Power, Light & Lubricants	121.5	121.5	121.5	119.7
Industrial Raw Materials	149.3	150.7	149.1	137.8
Fibres	148.1	153.1	155.2	134.8
Oilseeds	165.0	163.5	156.7	148.2
Minerals	95.2	95.2	95.2	98.2
Others	125.7	125.6	126.7	126.5
Manufactures	125.6	125.8	126.0	120.7
Intermediate Products	141.3	140.7	137.7	129.5
Finished Products	123.0	123.4	124.0	119.2
Textiles	124.5	125.3	126.5	120.6
Cotton	126.3	126.3	126.1	129.1
Jute	122.5	126.6	132.2	108.3
Woollen	123.7	123.7	123.7	110.1
Silk & Rayon	119.1	116.5	116.5	102.7
Metal Products	146.9	146.9	146.9	146.8
Chemicals	108.8	108.8	108.8	102.2
Oil cakes	145.8	145.2	142.4	137.9
Machinery & Transport Equipment	112.7	112.7	112.7	111.2
Others	119.1	118.9	118.7	115.6
All Commodities	127.1	127.1	125.6	123.7

Growth of the Cotton Textile Industry

Spinning Mills

Composite Mills

Year †	Number of Mills	Spindles, Rings and Mules installed (In Lakhs)	Number of Mills	Spindles, Rings and Mules installed (In Lakhs)	Looms installed (In Lakhs)
1961	192	30.47	286	106.04	1.98*
1960	186	29.31	293	106.19	2.00*
1959	188	28.08	294	105.99	2.01*
1958	175	25.57	295	104.97	2.01
1957	144	21.95	292	102.97	2.01
1956	121	18.57	291	101.94	2.03
1955	116	17.68	292	101.90	2.03
1954	114	20.97	286	95.54	2.02
1953	113	19.47	282	94.76	1.98
1952	107	19.11	276	93.42	1.96
1951	103	18.43	275	91.56	1.95
1950	94	18.60	268	86.95	1.91
1949	95	17.77	267	85.89	1.92
1948	88	15.66	268	85.02	1.93

† These figures are as on 1st January of the year.

* These figures exclude tape looms.

Source : Textile Commissioner, Ministry of Commerce and Industry, Government of India.

PRODUCTION OF IRON AND STEEL IN SELECTED EUROPEAN COUNTRIES

(Thousand metric tons)

	Europe	Yugoslavia	USSR	United Kingdom	Sweden	Rumania	Poland	Netherlands	Luxembourg	Italy	Hungary	Germany Eastern	Germany Western	France	Czechoslovakia	Belgium	Austria	Year
IRON	193878	1399	71862	16435	17355	637	1856	—	7205	1383	353	1664	11381	50265	2490	106	2389	1955
ORE	208115	1725	78079	16506	18947	694	1973	—	7594	1668	350	1757	12218	52689	2542	144	3259	1956
COKE	223251	1875	84167	17173	19924	644	1994	—	7843	1587	332	1478	13146	57777	2810	138	3496	1957
—	223743	1997	88816	14847	18312	744	2173	—	6638	1291	371	1506	12641	59450	2799	123	3410	1958
—	231251	2097	94390	15108	18286	1064	2014	—	6509	1238	441	1450	12962	60887	2968	143	3382	1959
—	—	2199	106541	17362	21317	—	2182	—	6977	1252	517	—	13526	66911	3120	—	3542	1960
COKE — OVEN	155685	731	43593	18346	124	144	10055	3901	—	2948	30	2705	40617	11056	7000	6601	1811	1955
—	168146	923	46600	19849	133	256	10508	4253	—	3410	87	2795	43546	12593	7327	7269	2090	1956
—	174133	1037	48600	20760	119	435	10121	4283	—	3688	262	2818	45333	12884	7485	7156	2190	1957
—	172158	1030	50894	18726	93	563	10634	4123	—	3362	372	2996	43578	12780	7370	6906	1889	1958
—	170196	1069	53400	17274	121	609	10879	4099	—	3043	394	3135	38530	13398	7878	7127	1763	1959
—	—	1082	—	19051	134	—	11283	4510	—	3724	542	—	44769	13574	8460	7541	2046	1960
IRON AND BLAST FURNACE FERRO-ALLOYS	100849	514	33310	12670	1176	570	2920	670	3085	1625	868	1517	16482	10960	2982	5390	1506	1955
—	107776	631	35754	13382	1332	583	3263	662	3316	1873	755	1574	17577	11480	3282	5761	1737	1956
—	112717	714	37039	14512	1447	686	3430	701	3368	2072	832	1663	18358	11915	3563	5588	1960	1957
—	113196	748	39600	13183	1309	737	3592	917	3285	2060	1094	1775	16659	11971	3774	5519	1818	1958
—	121379	863	42972	12784	1399	846	4088	1140	3431	2121	1116	1899	18393	12472	4245	5965	1836	1959
—	—	972	46757	16016	1501	—	4253	1346	3713	2715	1142	1996	25729	14144	4695	6551	2232	1960
CRUDE STEEL	139215	806	45271	20108	2148	766	4426	981	3225	5395	1629	2842	21336	12592	4474	5894	1823	1955
—	149587	885	48698	20991	2423	799	5014	1051	3456	5908	1415	3110	23189	13398	4882	6376	2078	1956
—	157784	1048	51043	22047	2507	865	5304	1185	3493	6787	1376	3304	24507	14098	5166	6267	2509	1957
—	158976	1119	54920	19880	2413	934	5642	1438	3379	6271	1627	3503	22785	14605	5510	6006	2393	1958
—	173067	1299	59950	20511	2841	1419	6160	1672	3665	6762	1757	3707	25824	15219	6136	6433	2511	1959
—	—	1441	65292	24695	3216	—	6680	1942	4084	8229	1886	—	34100	17279	6768	7180	3163	1960

Source : Secretariat of the Economic Commission for Europe, United Nations, Geneva.

Printed by A Fernandes at New Jack Printing Works Private Ltd., Globe Mills Passage, off Delisle Road, Bombay 13, and published by him for Asian New Age Publishers Private Limited from 65, Apollo Street, Fort, Bombay 1. Editor: SACHIN CHAUDHURI

The Economic Weekly

A Journal of Current Economic and Political Affairs

August 19, 1961

THIRTIETH YEAR OF PUBLICATION

Volume XIII No 33

Price 50 Naye Paise

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A Glimmer of Hope

AMIDST the ominous clouds that have gathered over Berlin, the meeting this week between Chancellor Adenauer and Mr Smirnov, the Soviet Ambassador to West Germany comes as a hopeful glimmer. Not much is as yet known of what they agreed upon. But each of them has apparently assured the other that no steps which might worsen the situation would be taken from his side. This ought to be a distinct gain, since every turn of the screw by one or more of the parties concerned makes a negotiated settlement that much more difficult.

What is of particular importance is that Dr Adenauer has found it possible and necessary to talk things over directly with the Soviet Ambassador. So far, the inability of the Western Powers to come forward with any concrete proposals for solving the Berlin question has, at least in part, been attributed to the inflexible position taken by the West German Chancellor and General de Gaulle. They have consistently thrown their joint weight in favour of maintaining the *status quo* in Berlin, without according recognition to the East German State. Against this adamant stand, it was impossible for the U K, and more recently the U S A, to work out a set of concrete proposals on which all could agree. The gap between the U S A and the U K on this issue has narrowed down considerably in recent months. Both of them now take a less gloomy view of a change in the *status quo* than was true in the heyday of John Foster Dulles. But in spite of their recognition of the need to seek an alternative to a continuation of bluffs and counter-bluffs on the brink, they have had to stay with Adenauer and General de Gaulle. The Bonn meeting is in this context a good augury, inasmuch as Dr Adenauer moves a little away from the French President, even if it is only in the negative sense of agreeing not to make matters worse.

The Adenauer-Smirnov meeting does not, of course, solve any of the outstanding issues by itself. But it may facilitate two things which are of crucial importance. The first of these is that it enhances the chances of the four Western Powers indicating their preparedness for a Foreign Ministers' Conference on Berlin earlier than seemed possible last week. One of the elements complicating their time-table was elections in West Germany scheduled for September. Given the cleavage between the Anglo-American and Franco-German positions, no move for a *detente* could have been taken prior to that date without complicating the issues in West German elections. But just as it was important for these powers to hold off negotiations until after the elections, it was obvious that Mr Khrushchev would resent having to face the Party Congress, scheduled for October, without any prospect of change in the Berlin situation. Had Adenauer refused to confer with the Soviet representative, the allied powers would have had no initiative left with them. Now, it is possible to hope that even before the elections in West Germany, the two blocs can start feeling their way towards the conference table.

The second possible consequence of the Bonn meeting is a change in the attitude towards "disengagement" in stages. There is considerable

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speculation now that Adenauer's assurance to Smirnov implies the rejection of trade sanctions by Bonn against East Germany as a reply to Herr Ulbricht's sealing off of Berlin. It is inferred from this that Dr Adenauer might not be wholly hostile to a *de facto* if not a *de jure* recognition of the German Democratic Republic. On the Soviet side, it would seem that no attempt will be made directly or indirectly to deny the Western Powers access to Berlin. Should these speculations turn out to be substantially correct, it may become easier for the Western Powers to bargain from less inflexible positions than in the past. To some extent, the question of maintaining free access to Berlin can be separated from that of unification of Germany and dealt with initially. As long as the Bonn Government refused to countenance the partition of Germany, there existed no possibility of manoeuvre on the arrangements regarding Berlin. No such possibility existed because there was in law no government with which the Atlantic powers

could enter into a compact for ensuring their rights in an undivided Berlin, after the withdrawal of the Soviet Control Commission there.

Undoubtedly, the recognition of East Germany will not mean the end of the Berlin problem. After all these years of division, the fusion of the two parts will raise a variety of administrative, political and economic problems that will not be easy of solution. It will require a rare spirit of understanding and compromise on both sides to make the transition a smooth one. But it needs no great prescience to see that ignoring the existence of East Germany or seeking to engineer an overthrow of the Government can only postpone an orderly conversion of Berlin from a collection of hostile camps into an organic and vital city.

The general lifting of hearts following the Bonn meeting is an indication of the desperate desire of people all over the world for a sane resolution of the Berlin conflict. In consummating this, the next move

rests with the Western Powers. It is over two years since Mr Khrushchev announced the Soviet intention of readiness to negotiate on the question of a separate treaty with East Germany. He has also made no secret of the fact that this is a counter-move to the NATO policy of rearming West Germany and endowing it with nuclear armaments. It would, therefore, be logical to assume that any agreement relating to Berlin will require a reconsideration of this matter also.

It is, of course, not easy for any of the Western Governments to renege from their prevailing positions without being accused of appeasement by somebody or other. But merely to dig in on that score and refuse to negotiate on the issue of East Germany or of rearmament of West Germany would amount to preferring nuclear devastation to a civilized settlement of the dispute. One hopes that the Bonn meeting has paved the way for both sides to envisage a negotiated settlement not as a capitulation but as an honourable retreat from mutual destruction.

A Policy for Weak Banks

THE problem of banking reorganisation has been in the air ever since the Palai Bank affair. The failure of this bank drew attention to the basic weaknesses from which the banking system was suffering. The need was felt for some protection to depositors against the consequences of bank failures as also for devising measures to prevent such failures. The acceptance of the scheme of deposit insurance, which will soon find legislative expression, provided hope to depositors that in the event of failure, a minimum amount per depositor would be guaranteed. Proposals for increasing the ratio of capital and reserves to deposits and for enhancement of the cash and liquidity ratios are also intended to protect the interests of depositors in the event of a bank failure while they may also help to prevent such a failure itself.

Not that there are no objections to these particular proposals. However useful they may be, they are unlikely to be very helpful in those cases in which individual banks are run on unsound lines or have

run into insuperable difficulties. Speaking at the Indian Institute of Bankers last week, the Governor of the Reserve Bank, Shri H V R Iengar, presented the Reserve Bank's approach to the problem of weak units in the banking system. The problem has been put in the right perspective by Shri Iengar in stating that only about 5 per cent of total deposits are held by banks which fall into the problem category. Nevertheless, the number of units concerned is large, and it is quite correct to give the problem high priority.

The problem can be approached in terms of the system of licensing that was introduced under the Banking Companies Act 1949. All banks are required to have a licence, but existing banks are allowed to continue in existence, even without a licence as long as they have not been definitely refused a licence under the Act. Shri Iengar, in his address, described the objective of banking policy as one of bringing about within a couple of years a situation in which only licensed banks would exist in the country. One gains the impres-

sion that by that time he would like the present distinction between scheduled and unscheduled banks to be eliminated also.

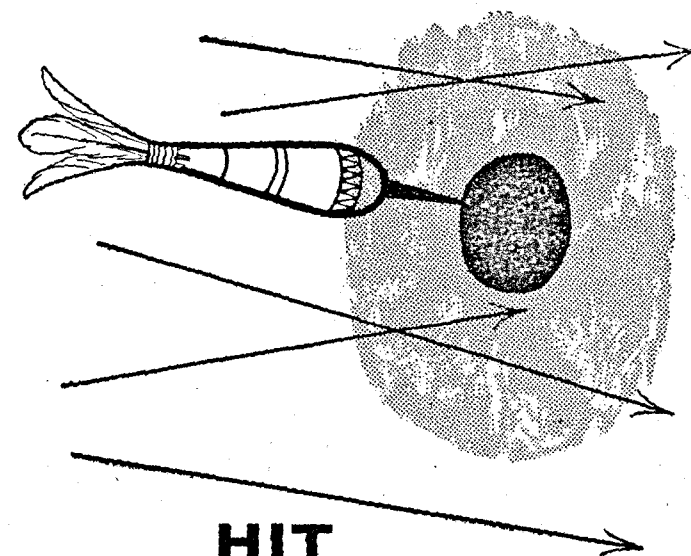
To achieve this objective, one of three steps would have to be taken to deal with each of the present unlicensed banks: a licence would have to be granted to it or the privilege would have to be refused to it so that it either winds up or becomes a non-banking institution, or it would have to be merged in another banking institution either already possessing a licence or likely to be given one. In general it appears that most banks which deserve to be given a licence have already received it, so that not many of the existing unlicensed banks are likely to get a licence in the future. Refusing a licence to a bank or otherwise forcing it to wind up has proved to be generally unwise. Some time ago, the Finance Minister expressed himself in favour of the process of merger rather than of winding up as the better remedy for a weak bank. It is, therefore, likely that in most cases it is the merger approach which will find favour.

The crucial portion of his address this connection relates to the two different types of banks against which action has been taken or is contemplated. Where a bank itself asks for a moratorium or its position is obviously hopeless, there cannot be the slightest doubt about the need for Reserve Bank action of the type discussed above. The position is obviously different where the bank concerned is opposed to a merger and is also not obviously in difficulties. It has been demanded that the Reserve Bank should make a clear statement of its policy in this respect before dealing with banks in the second group. Shri Iengar's statement appears to have been made in response to this demand. He admits that of the 35 banks against which action has been taken so far, nine had themselves asked for a moratorium and the position of 10 was considered irretrievable, but as far as the other 16 banks were concerned, their position 'was such that there were no chances of their becoming viable units in the near future'. In taking action against such banks, the Reserve Bank had moved 'into a region where the need for action was not equally manifest to the public mind; for example, when a bank had been limping along for years in an unsatisfactory manner and was unlikely to become a sound unit within a reasonable period of time, but was in no immediate danger of a run'.

It is apparent that the Reserve Bank is determined to take action against such banks or those which 'have merely acquired the respectability of the nomenclature of banks but which do not basically serve the banking needs of the community'. The Governor of the Reserve Bank has done well in responding in such clear terms to the demand for a statement of policy on this important question. The objective tests of the soundness of a bank, which he has listed, are also quite unexceptionable. It cannot be denied, however, that the implementation of the sort of policy enunciated by him depends to a considerable extent on the approach which the authorities of the Reserve Bank adopt in each case. It is much easier to force a bank, which is limping along, to merge with a larger unit than to guide it back to

health. Yet, clearly, wherever the latter is possible, resort to the former should be renounced. It is also possible, though not easy, to merge some of these units with one another to create a new unit, which would have some of the individuality of the amalgamating units but would at the same time be capable of becoming a viable unit. This suggestion

deserves careful consideration by the Reserve Bank. Shri Iengar has said that it should be possible by a combination of firmness and understanding to reorganise the banking structure within a relatively short period. The element of sympathetic understanding in this combination needs to be somewhat larger than it has been hitherto.



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Weekly Notes

More Tax Exemptions

THE emphasis in the report of the Select Committee on the Income-Tax Bill, 1961, which was placed before the Lok Sabha this week has, on the whole, been on exemptions. This is not surprising, considering the prevailing view in policy-making circles that the level of direct taxes in the country is already too high. The Select Committee can, therefore, set about its task of tempering the basically mild proposals of the Income-Tax Bill, 1961 without feeling abashed about it, particularly because the twin arguments of equity and incentives can be marshalled in favour of most exemptions from our existing tax.

Much the most publicised recommendation of the Select Committee is the one relating to exemption of gratuities paid to employees by private companies from liability to income-tax. Until now, only the gratuities paid by Government, local authorities and statutory corporations were not assessable to income-tax. The Committee has recommended that this privilege should be extended to persons in private employment also. The proposal is that gratuities up to Rs 24,000 or 15 months' pay (whichever is less) should be exempt from income-tax. The balance of gratuities in excess of this amount would attract tax, though the appropriate rate may be decided by the Tax Commissioners. *Prima facie*, this is justified on the ground of non-discrimination between Government and "private" employees. But one might still wonder whether, with the effective direct tax on middle incomes being what it is, this entire approach to the exemption of gratuities up to Rs 24,000 is justified.

Besides the above, the Select Committee has recommended certain minor adjustments in regard to taxation of trust incomes, capital gains and super-tax. The Income-Tax Bill provided for some exemptions in these fields and the Select Committee has sought to enlarge them. In the matter of super-tax, the Committee has suggested that several new industries should be added to the list specified under Clause 89 of the Bill, which are eligible for exemptions. In computing "distributable income" for purposes of tax, it is proposed

that (i) bonus or gratuity paid to an employee; (ii) legal charges; and (iii) any other 'revenue' expenditure not resulting in the creation of a new asset or enhancement of the value of an existing asset should be deductible. There is also the recommendation that, in addition, losses on capital transactions as well as income earned outside but not remittable to India should be excluded from taxable income. Clearly, the ostensible purpose of all these is to enlarge the quantum of retained earnings by companies for reinvestment purposes. But, here again, the actual effect may turn out to be a fillip to avoidance of tax without necessarily resulting in a commensurate increase in reinvestment of earnings.

India and the E C M

EVER since the Commonwealth Prime Ministers' Conference last year, when it was disclosed that the U K was preparing to make a determined effort to join the European Economic Community, misgivings have been expressed in India, as in the other Commonwealth countries, about the repercussions of such a move on the country's external trade. More recently, as U K's entry into the E C M became virtually certain, the Federation of Indian Chambers of Commerce and Industry and the Indian Chamber of Commerce, Calcutta, made representations to the Government expressing their "grave concern" at U K's proposed move. The Indian Government's view on the matter was officially conveyed to Mr Peter Thorneycroft, British Minister for Aviation, who was in India last month for "consultations" on the implications of an association between the U K and the Common Market. After Mr Macmillan's announcement of his Government's decision to apply for membership of the Common Market, the expected official statement on the Indian attitude to the question was made last week by the Finance Minister in the Lok Sabha.

Whether the U K should join the Common Market is, of course, a matter on which the ultimate decision must rest with the British Government. At the same time, however, we have conveyed to the U K our fears that it might cause a setback to our export trade. This was

reiterated by Shri Morarji Desai in his statement in the Lok Sabha. The existing preferential arrangements between India and the U K have undoubtedly led to expansion of trade between the two countries. Their termination now is, therefore, a serious matter for us, particularly when new and exclusive preferential arrangements are growing up elsewhere in the world and we can willingly acquiesce in this only if suitable transitional arrangements are made so that the impact of the loss of preferential treatment is made gradual and we are substantially compensated for it by a liberalisation of import policies in the Common Market as a whole.

In our trade with the U K we enjoy three main advantages. As a member of the Commonwealth, we have throughout had duty-free entry for almost all our products. As a member of the sterling area, our exports have been free from quantitative restrictions in the U K market. Lastly, many Indian products enjoy preferential tariff in the U K, partly because of the trade agreement between the two countries; also, as many Commonwealth products enter Britain duty-free, the imposition of any tariffs by Britain on imports from non-Commonwealth countries gives us, and others in the Commonwealth, a preferential position. In the Commonwealth Market countries, however, all our principal exports are subject to fairly high tariffs and other impositions. This is true of even commodities which are not produced by the European countries themselves, e.g., tea. Besides the high tariffs, there are quantitative restrictions, often of a discriminatory character on imports of manufactured articles like cotton textiles, jute fabrics and vegetable oils from India.

An Opportunity

THE effect of U K joining the Common Market on our exports to the U K are thus clear. All preferences accorded to Indian goods will disappear and they will be subject to import duties as they are now in the Common Market countries. At the same time, goods from the other Common Market countries and their associated territories will be imported duty-free into U K. The preferences system will then

work against us. It is true that in some cases imports into the U K from our main competitors will also be subject to the same impositions as ours. In such cases our export prospects would depend on the price elasticity of demand for these products in the British market.

Against the loss of preferences in the British market, a possible concomitant of U K's entry into the Common Market is a downward readjustment of common tariffs. This will come about partly as a result of the re-working out of common tariffs on the basis of the arithmetical average of the tariffs in effect in the different countries, including the U K. The inclusion of U K as a low-tariff country will lead to a lowering of the common tariffs.

More important, however, is the opportunity offered by U K's entry into the E C M to persuade the present Common Market countries to do away with some of the tariffs and lower others and remove some of the quota restrictions which now operate against imports from non-member countries. Such a request would be eminently reasonable today in view of the fact that the growing economic strength and the sound balance of payments position of the Common Market countries permit them to make these concessions with little or no risk of any adverse impact on their economies.

The U N's Economic Commission for Europe has repeatedly urged European countries to follow up their aid policies with steps to encourage imports from the under-developed countries. A strong and unified Europe is undoubtedly a hopeful portent for the developing countries, both for aid and trade, but the fact must be faced squarely that hitherto the European Common Market with its high tariffs and other restrictive practices has hindered rather than helped the efforts of the under-developed countries to expand their exports. India, for instance, has been running a persistent and crushing trade deficit with these countries for many years. This is not to say, however, that there are no hopeful signs. Recently, the Common Market countries have exhibited a "quickeness of conscience" with regard to the problems of the developing countries. Two of them, for instance, are members of the Aid-India Consortium which has

done so much to underwrite the foreign exchange requirements of India's Third Plan. There is some reason to hope that Britain's entry into the Common Market would speed up this trend.

State Loans

THE borrowing programme of the Central Government for this year having been completed in two instalments in the earlier part of the slack season, State Governments have now announced their own programme for raising funds from the market. Only Assam and Kashmir are not included in the list of States which have decided to enter the market this time, this being the second consecutive year of absence for Assam. The other thirteen States have announced the issue of loans, ranging from Rs 3 crores for Bihar and Punjab to Rs 10 crores for Andhra, Madras and Maharashtra. The total amount to be raised is Rs 80 crores though as usual the States retain the right to accept up to 10 per cent more than the amount issued. These figures, however, represent gross borrowing; repayments during the year amount to Rs 12.96 crores, with Mysore alone having maturities of Rs 6 crores. On the basis of these figures, both gross and net borrowing in the current year will be approximately equal to the average annual amount of such borrowing scheduled for the period of the Third Plan. The States could, therefore, be said to have made a good beginning this year for the borrowing programme envisaged in the Plan, the assumption being, of course, that the present issues will succeed.

A feature of the State borrowing programme this year is the relative uniformity in the terms of offer for the thirteen States. All the loans are being issued at 4.25 per cent for maturity in 1972, the only differences being in the issue prices, which are Rs 100 for Gujarat and Maharashtra, Rs 99.75 for Andhra, Madras, Mysore, Uttar Pradesh and West Bengal and Rs 99.50 for Bihar, Kerala, Madhya Pradesh, Orissa, Punjab and Rajasthan. The slight discount on the nominal values of the securities result in slightly higher yields, both current and redemption, on those particular securities, reflecting presumably the smaller support the loans of these States obtain from the market. In due course, one should expect these differences to disappear.

An improvement in the marketability of the different securities is, however, necessary for the purpose.

It is interesting to notice that the terms of the loans are more favourable than those of existing loans of a comparable nature. Though the difference is slight, it is evident that the Reserve Bank has deliberately attempted to push up the yield pattern on the State loans as it did in connection with the second instalment of Central loans just a few days ago. Having kept the interest rate structure down consistently for a long time and having also consistently refused to permit a formal rise in the Bank Rate even while introducing a three-tier system that increases the marginal rate on bank borrowings from itself, the Reserve Bank has now given an upward push to interest rates on government loans which does require attention. The fact that this push was given in the shape of terms offered on new loans rather than by moulding the gilt-edged market also calls for notice. It suggests either a last-minute change in policy or an attempt to ensure the success of the new issue by offering more favourable terms than those prevalent in the market.

Attention needs finally to be drawn to the rather heavy burden of maturities that the present State issues have set up for 1972. The maturity of Rs 80 crores of securities in 1972 should be compared with the maximum volume of maturities in the current Plan period, which is Rs 38.67 crores in 1963-64.

A Tragic Act

THE fast-unto-death undertaken by Master Tara Singh has perhaps tilted the scales irretrievably against a peaceful solution of the Punjabi Suba question. That things should have been brought to this pass is not just unfortunate; it is tragic. Whatever may be the outcome of the Sikh leader's fast, it will certainly not be such as to enhance the strength or stature of the country. Should his gamble succeed, it will have added yet another element to the already powerful forces separating Indians from Indians. And a truly communal basis will have been established for further balkanisation of the country.

The astonishing thing is that all this should have started with nothing more than a matter of scripts.

Hindus in the Punjab are as much a Punjabi-speaking people as the Sikhs are. The difference between them, apart from religion, is that one group prefers the *devanagari* script, while the other uses by and large the *gurmukhi*. But this issue — if it really was an issue—could have been settled amicably had not the communal question been superimposed on it. Whatever the origin, and despite all the disclaimers of Master Tara Singh and his immediate followers, the position now is that the demand for a Punjabi Suba has come to be associated in the popular mind with the demand for establishment of a separate Sikh State.

In this conjuncture, it is difficult to see how a Punjabi Suba can be carved out without making nonsense of 'emotional and political' integration of India. With the world situation being what it is, we cannot hope to live as a nation if we do not recognise the need for such integration. The country looks up to leaders like Master Tara Singh to help it achieve a measure of unity transcending the bounds of race, religion or language. The greatest contribution that Master Tara Singh can make to the good of the country at this juncture is to end his fast before the Frankenstein monster of communalism rampages the Punjab and the rest of the country. One fervently hopes that the Akali leader will not let matters of face or prestige stand in the way of making this supreme contribution.

Portuguese Possessions

WHILE the merger of Dadra and Nagar-Haveli with the Indian Union is a matter for satisfaction, the fact that the bigger Portuguese possessions in India like Goa, Diu and Daman are still suffering under alien tyranny, more severe than ever is a source of continuing concern to the nation. Fourteen years have passed since the mightiest imperial power in the world withdrew from India and yet a tiny despotism like that of Portugal is still clinging defiantly to little pockets in this country and brazenly calling them integral parts of Portugal. This provides a strange commentary indeed on Indian forbearance and Indian reluctance to use force to deal with a problem which could be settled in no time on that basis. Expectations that the people of these enclaves would throw out the alien power or

at least make its continuance increasingly difficult have not been fulfilled, and no wonder.

Events in Angola in West Africa have shown how ruthless the Portuguese oppressors can be in dealing with any attempt at rebellion, and the methods employed by them in crushing individual or group demonstrations of resistance over the years in Goa itself have painfully underlined the tragic futility of such protests. Success of the revolt in Dadra and Nagar-Haveli which are encircled by Indian territory and where the Portuguese troops could be easily overpowered, or the seizure of a Portuguese enclave by Dahomey in Africa cannot provide any clue to the technique that will have to be adopted to oust the Portuguese from more unfortunately situated and more strongly defended possessions like Goa.

Time for Action

IT is good that this line of thought has lost its advocates. And what is more encouraging still is the fact that the tendency to let time and circumstances solve the problem somehow is gradually declining. Equally encouraging is the realisation in high quarters that the solution of the problem cannot be left to the terrorised people of Goa or to bands of volunteers proceeding from India to the enclave to encounter torture or death, and that indeed the only way to end Portuguese obduracy is for Government to take action on its own. Indicative of this trend was the speech made by Prime Minister Nehru on the Bill for the merger of Dadra and Nagar-Haveli with the Indian Union in the Rajya Sabha this week. The Prime Minister said that the steps to be taken for the liberation of Goa could not be considered 'a closed chapter'. If he refuted the suggestion of a Communist member to send armed volunteers into Goa, it was because he felt that this would only create a situation in which Government would be forced to march in its troops. "I am not prepared to be pressed into action until I think the time is ripe for that action . . . The time may come when we may decide even to send our Army there. When that comes, it will be an open effort of ours, not a secret or furtive one."

This certainly represents an improvement on the old thinking, but

the issue still hinges on when time could be considered ripe for taking the necessary action. To most people it might seem that the psychological moment for taking action is right now or in the near future if only because Portuguese colonial possessions everywhere are under stress or are actually subject to revolt or the threat of revolt. A concerted move by Asian and African countries, suffering from pockets of Portuguese oppression, could well make short work of Dr Salazar's tattered empire. But the trouble is that in the contemplation of the so-called bigger issues and what not, Portuguese misdeeds are apt to be brushed aside as minor irritations to be tackled at leisure.

Balance in Oil Products

IF the success that has attended oil exploration efforts in Gujarat tends to discount in the public mind the dangers involved in heavy investment in the search for oil, it is only necessary to turn to the failure of the Standard-Vacuum Oil Company to find oil in West Bengal to obtain a more balanced picture. Writing off of expenses incurred in the abortive search for oil in West Bengal in 1960 more than wiped out the profits earned by the Company on its refining and marketing operations and left it with a net loss of Rs 13 lakhs for the year.

The exploration programme in the 33,000-square-mile Bengal Basin was begun in 1949. For the first five years, the search was carried out by the Company alone. On January 1, 1954, the Indo-Stanvac Project was formed in partnership with the Government of India, and exploration work was continued over an area of about 10,000 square miles. From the time of the inception of the Indo-Stanvac Project alone, total investment was about Rs 723 lakhs, all of which was lost except for proceeds from sale of the drilling equipment. Stanvac shared this loss in the proportion of 75:25 with the Government of India.

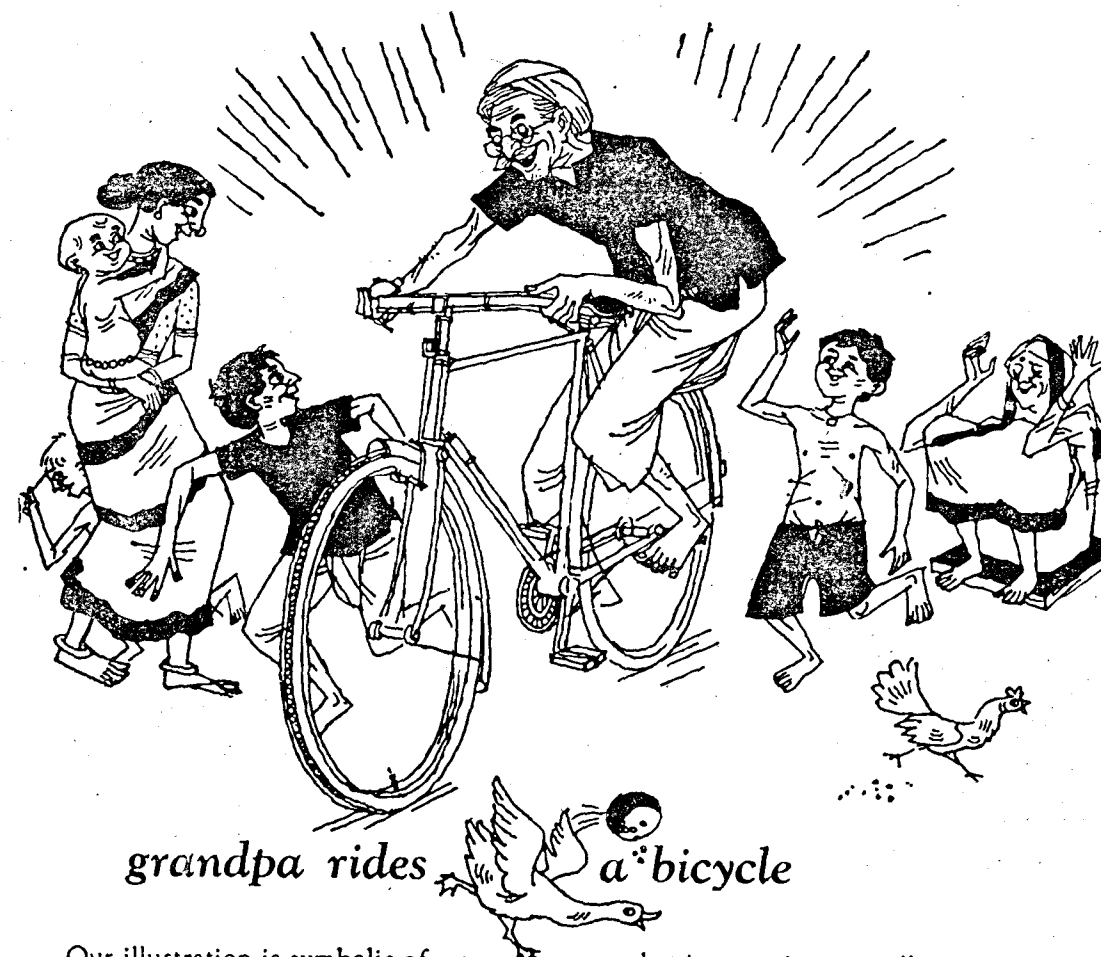
The other interesting part of the activities of the Company relates to refining. The Review for 1960, published by the Company, shows that the Stanvac management, like that of other oil companies, is aware of the problem of the pattern of production of oil products in relation to the pattern of consumption of these

products in the country. Since overall refinery capacity in the country is inadequate to meet its requirements of certain products it is essential for each of the existing refineries to maximise the throughput of crude oil. During 1960, the Stanvac Refinery's throughput was 15 per cent higher than in the previous year and 70 per cent higher than in 1955, the

refinery's first year of full operation.

This increase in throughput resulted, however, in the production of a surplus of motor spirit and fuel oil, which was exported. Given export difficulties as well as the need to keep the import of other oil products down to the minimum, the Refinery has made considerable efforts to change the pattern of production.

This is reflected in the reduction of gasoline production from 32 per cent to 23 per cent of total output and of fuel oil production from 34 per cent to 28 per cent of total output. In this way, Stanvac has succeeded in achieving a production pattern somewhat closer to the pattern of consumption. Its efforts in this direction are certainly to be commended.



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Elusive Unity

AUGUST 15 this year was celebrated in the Capital with subdued enthusiasm. The sense of urgency which pervades the leaders' attitude to the question of national integrity was reflected in both the Vice-President's message and the Prime Minister's Independence Day address. Master Tara Singh's fast—a manifestation of the problem—was ever-present in the minds of the crowd that gathered at Red Fort to hear the Prime Minister.

The Independence Day celebrations were preceded by the deliberations of the Chief Ministers' Conference and the National Integration Committee. Both concentrated attention on linguistic and communal problems threatening national integrity. The calling of a special meeting of the Chief Ministers and the Prime Minister's reported decision to convene an all-secular-parties meeting to discuss the communal question are indicative of the Government's anxiety to face the problem squarely.

Earlier, it is known, there was some hesitation on the part of the Prime Minister who had expressed reservations about an all-party conference. Some six weeks or so ago he had said that "in theory it (an all-party conference) is all right but in practice, my mind is not quite clear how that will work." His acceptance of the proposal now, observers here note, is the result of realisation that all the secular forces in the country, irrespective of party allegiances, have to be harnessed to meet the threat of communalism.

The Chief Ministers mainly concerned themselves with the linguistic aspect of national unity. They worked out measures to implement the Government's now-forgotten document of 1956 regarding safeguards for linguistic minorities. Feeling is growing in New Delhi that a go-slow policy in respect of change-over from English to the respective regional languages will be more helpful in fostering national unity. One of the steps taken recently with a view to strengthen the movement for integration is to have one-third of High Court Judges from outside the State. In that case, for quite some time to come the judiciary can have only English as its language. Many other

problems will arise if the change-over to Hindi is effected with undue haste. The States Reorganisation Commission dealt with the language question in the light of national unity but its recommendations on this issue were over-whelmed by the then more urgent question of reorganisation of the States. Provided these considerations are borne in mind, there can be no objection to the Chief Ministers' suggestion that "urgent steps should be taken to promote Hindi" and that efforts must be made to evolve a common script for all Indian languages.

The Chief Ministers, however, were far from unanimous in their approach to certain issues. Dr B C Roy made the suggestion that a language spoken by at least five per cent of the population of a State should be made one of the State languages. But the Conference did not give this suggestion the attention it undoubtedly deserved. Bakshi Ghulam Mohammed suggested that an agency be instituted to supervise the implementation of the decisions taken at the Chief Ministers' Conference.

Problems of Minorities

The deliberations of the National Integration Committee, presided over by Smt Indira Gandhi, drew pointed attention to the fact that even after 14 years of Independence the communal problem remains as much a thorn in the nation's side as ever. The problems of the biggest communal minority of India, Muslims, have attracted much attention recently after the Jabalpur riots and the more recent Muslim Convention. The patriotism or nationalism of the leading participants in the Convention like Dr Syed Mahmud, the venerable Maulana Hifzur Rehman, Shri G M Sadiq and Dr Z A Ahmed, are, of course, beyond question. Besides, many of the grievances voiced at the Convention are regarded by fair-minded people as genuine, though admittedly some of them were magnified out of proportion. At the Integration Committee's meeting, Bakshi Ghulam Mohammed also drew attention to the problems faced by Muslims in India.

The Integration Committee's meeting also revealed a good deal of difference of opinion among delegates about the threat posed by communalism and the steps required to meet it. Dr V K R V Rao, who attended the meeting as a special invitee, opposed special privileges or safeguards for minority communities. In this he was supported by Acharya Kripalani, who suggested that States must not recognise differences based on caste or community. He went on to suggest that as a first step towards eliminating communal distinctions the Census should not record anybody's caste or community.

Another community which suffers from a sense of neglect are the Sikhs. The Central Government's refusal to apply the principle of forming unilingual States in the case of Punjab has hardened this feeling. The situation in Punjab today is explosive, particularly after Master Tara Singh's fast and the Hindu leader, Swami Rameshwaranand's counter-fast.

At its next meeting early next month the National Integration Committee will consider the concrete measures to be taken to check communalism. The Committee thus promises to become an important body with much national sanction attached to it. It is felt in many quarters that the administrative measures which the Government proposes to take would be effective if first a wide campaign is built up on the political plane through a joint effort by all the secular elements in Indian politics.

* * *

Supersonic Fighters for IAF

Considerable significance is attached to the Prime Minister's statement in reply to interpellations in Rajya Sabha on Monday last to the effect that the possibility of this country purchasing supersonic fighters from the U S S R was not ruled out. In reply to a question whether the Government proposed to buy supersonic fighters from the Soviet Union, the Prime Minister, it will be recalled, said that the question of purchasing these aircrafts from "other countries" was a matter to be considered from time to time after balancing various factors.

The supply of F-104 fighters to Pakistan by America, according to circles close to the Defence Ministry, is bound to disturb the balance between the two countries in air in favour of Pakistan. The F-104 is more than twice as fast as any aircraft of the I A F. It can be used both as a tactical bomber and a fighter. American assurance that the arms supplied by her to Pakistan will not be used against India has hardly gone down in New Delhi, even though it has been formally welcomed. It is emphasised that it is the possessor who decides on the use of powerful arms. In this connection, it is pointed out that the White House could not prevent Pakistan from using American arms against Afghanistan just as it could not stop France from using NATO arms against Algerian nationalists and against the Tunisians in Bizerta.

Coal Prices

The Government of India is learnt to have rejected the private collier-

ies' demand for a further increase in coal prices, on the ground that already sufficient increases in the price of coal have been effected. The demand of the private colliery-owners for price increase is becoming "insatiable", it is felt.

Colliery-owners have demanded an increase in the price of high grade coal on the ground that "the very root of the present coal crisis is the fact that we have for years had to operate on an uneconomic price structure so far as our high-grade coal mined under difficult conditions is concerned." Thus, according to the owners, "the cost of Grade I coal benefited by washing to 15 per cent ash is well over Rs 10 per ton in excess of the present controlled price for the highest grade of coal." To encourage the private sector to produce more high-grade coal, the "real incentive" of a price increase was, therefore, necessary.

Letter from South

Rayalaseema Needs a Master Plan

Hyderabad

PROBLEMS of economic development in the State evoked keen interest in the recently-concluded session of the State legislature. The development of Rayalaseema and Telangana in particular figured prominently in the debates. Rayalaseema needs a long-term plan to eliminate the recurring droughts and famines. In Telangana, the problem is to develop this relatively backward region and to bring it to a level of development on par with the rest of the State. Whatever schemes are formulated for this purpose, it is important that they should satisfy Telangana interests that their problems are receiving priority.

Telangana's case for special treatment is admittedly sound. Special safeguards are even now provided to Telangana in regard to recruitment to public services and even in representation in the State Cabinet and in allocation of portfolios. The State Government has implemented these safeguards earnestly ever since the inception of the State. Nevertheless, there have been complaints from time to time

of the Government's indifference to the problems of Telangana. The discontent reached a pitch last year when group politics in the Congress party assumed ugly proportions. The State Government replied to the allegations against it by issuing a White Paper refuting the charges and explaining how assurances—statutory and administrative—for the development of Telangana were being fulfilled.

Conflicting Claims

The White Paper was examined by a Sub-Committee of the Telangana Regional Council. The Sub-Committee was not convinced by the Government's assurances. Further, it criticised the publication of the White Paper as being "singularly inappropriate, as is evident when one remembers the issues on which and the circumstances in which White Papers were issued in the past, e.g. China border, Kerala situation or the then Hyderabad State in 1948." It added that a more sympathetic and realistic approach would have avoided the unpleasant controversy which unfortunately,

In this connection, it is relevant to point out that during the last five years the Government of India has increased coal prices seven times, the increases totalling Rs 6.43 per ton. The first increase of Rs 3 was permitted in 1956 to enable colliery-owners to implement the Majumdar Labour Tribunal Award. In 1959, following an overall assessment of cost of production, the Coal Price Revision Committee recommended an increase of Re 0.50 per ton which was agreed to by the Government. Even as recently as on June 1 this year, the Government agreed to permit another increase of Re 0.60 to enable the implementation of the arbitrator's recommendations in regard to time-rated workers. In view of the numerous increases in recent years, the Government does not think that the present controlled prices of coal are uneconomic. The experience of the National Coal Development Corporation in the public sector has reinforced this conviction.

shows no signs of abating. The Sub-Committee hoped that, at least now, "the State Government would adopt a more helpful attitude towards the wishes of the Regional Committee and will recognise it, not merely in words but in actual practice, as the mouth-piece of the people of Telangana."

The Telangana Council's objective was clearly to drive as hard a bargain as possible with the State Government and to induce it to take special steps in the interests of Telangana which, though justified in themselves (since the backward regions in any State must get every opportunity to develop), yet could have been taken only at the cost of other parts of the State. This attitude naturally provokes unfriendly reactions from other units in the State. Besides, the tendency to perpetually complain about discrimination and neglect interferes with the more important process of emotional integration of the people in different parts of the State. The State Government faces a dilemma, confronted as it is with complaints from Telangana that the area is not

receiving the necessary funds for development and counter-complaints, perhaps not so aggressively voiced, from other units that their interests are being neglected.

Rayalaseema is chronically faced with drought and famines. In the past a number of Committees have examined the needs of the area and made many suggestions, the most important of which are extension of irrigation facilities, especially minor irrigation works like tanks and wells, and the establishment of a network of small and village industries on co-operative basis to ensure gainful employment to the under-employed village population. Last year when the area experienced one of the worst droughts in recent history, the Centre stepped in with a grant of a crore of rupees for distribution to cultivators as loans for digging wells and repairing minor irrigation works, with an assurance that a master plan would be formulated to protect the area permanently against famine.

Legislators from Rayalaseema voiced the demand that a ten-year programme for building up an irrigation network covering major, medium and minor irrigation works, involving a total investment of Rs 50 crores, or Rs 5 crores every year, should be formulated and executed. The programme, it was suggested, should include liberal subsidies for construction of wells and extension of power facilities for lift irrigation, systematic and planned exploitation of the mineral and forest resources in which the area is rich and the starting of industries like cement, cotton-spinning, paper and vanaspathi.

Two projects, which could have contributed substantially to the development of Rayalaseema have unfortunately got bogged down. The Tungabhadra project, which was intended mainly to provide much-needed irrigation for a large part of Rayalaseema, has gone under the control of Mysore State and execution of the Tungabhadra high level canal, which is directly intended to benefit the area, has been painfully slow. The other scheme, the Srisailem hydro-electric project, which would have been an important source of power supply to Rayalaseema, is now enmeshed in the inter-State controversy over the

sharing of the waters of the Krishna and Godavari.

The case for a master plan for development of Rayalaseema is strong, because recurring famines, which necessitate expenditure of large sums almost every year for temporary relief and involve loss of revenue to the State through land revenue remissions, have also taken heavy toll of the strength and morale of an otherwise stalwart and virile people. The rehabilitation of the area is, however, too big a task to be undertaken by the State Government alone. The Centre, which last year accepted the responsibility for the task, should now come forward with practical proposals which could be implemented in co-operation with the State Government.

* * *

Agricultural University

The State legislature also considered a bill for the establishment of an Agricultural University at Rajendranagar, under the scheme to set up four such universities sponsored by the Central Government. Andhra's claim for one of these universities is undisputable in view of the fact that it is an advanced agricultural State and can, therefore, provide ample opportunities for the promotion of research in agriculture and allied subjects like forestry, animal husbandry, and can also offer much scope for extension work in these subjects and thereby for carrying the results of research right to the doors of the agriculturists.

The bill for the constitution of the university provides for the establishment of an agricultural experimental station and an agricultural and home science extension service as part of the scheme. It is expected that the proposed university would cost about Rs 4.37 crores, of which Rs 2.79 crores would be non-recurring and Rs 1.58 crores recurring expenditure. The Government of India is expected to make a grant of rupees one crore towards the cost of establishment of the University.

* * *

Telugu as Official Language

Whether the claim put forward in the State legislature that Telugu should be declared a second "national" language in addition to Hindi is accepted or not, the State

Government has announced its decision to introduce Telugu as the official language of the State. Telugu is already the official language up to the taluk level in certain fields, but its extension is impeded by a number of factors, one of which is that some of the officers in State Government service do not know the language. This apparently strange situation is explained by the fact that the official language in Telangana till recently, when it was merged with Andhra Pradesh, was Urdu. There is also no glossary of Telugu words for administrative purposes. And, finally, the fact that so far no efficient Telugu typewriter has been produced is also an important practical consideration.

While these difficulties are no doubt there, Telugu must soon be made the official language if the constitution of the linguistic State is at all to be justified. How soon and how effectively English can be completely replaced by Telugu in the State's administration and how soon it can be replaced by Hindi in the State's administrative relations with the Centre and with other States remains to be seen. The position is complicated by the fact that in the State Urdu is also a recognised second language and a regional language in Telangana area. The Chief Minister clarified the position recently and explained that Telugu was the principal regional language for the entire State and Urdu was a regional language in Telangana area only.

First Tetracycline Plant

PFIZER, the well-known international organisation, have set up India's first basic tetracycline plant. The Pfizer antibiotic plant at Chandigarh, the first to make tetracycline from Indian basic raw materials, is now complete and has gone into production. The plant, designed to make oxytetracycline and tetracycline, will effect a considerable saving in valuable foreign exchange for the country. The factory is built on a 10-acre site which leaves enough scope for future expansion. The senior technical staff of the plant were sent abroad for specialised training by Pfizer.

From the London End

E C M and Labour's Dilemma

August 8

ON the last day of July Mr Macmillan announced the British Government's decision to apply for the membership of the European Common Market. The occasion did not, however, prove to be a memorable one. Mr Macmillan's defence of his Government's decision was far from impressive. His 'not-confident-but-hopeful' note on the prospects of joining the Common Market was not what confirmed Europeans had expected. Nor did the expected opposition to the announcement materialise. A lone Tory member gave vent to his sense of humiliation by calling the Prime Minister a 'national disaster', only to apologise subsequently. It is true that some Tories abstained from voting on the issue in Parliament as did members of the Labour Party. Only a few Independent Labour members, those whose whips have been withdrawn by the Party, insisted on a division.

Much has been made of the fact that there seems to be some similarity of views between the right wing members of the Tory Party and the left wing members of the Labour Party on this question. It is important, however, to realise how different their reasons are. Those on the right are opposed to Britain's entry in the Common Market because they live in the past and have a sentimental nostalgia for the vanished imperial glory. To them the important thing is to remain a separate group in world politics joined with members of the Empire or the Commonwealth. It is to be stressed that when they mention the world Commonwealth or Empire, their concept is a racial one. The Asian or the African members do not count for them except in as much as they are either ruled from Britain or by a European minority. This should not need reiteration but for the euphoria which surrounds the word 'Commonwealth' in most of the Indian papers. Basically, the right wing is in agreement with all the economic and political policies pursued within the Common Market countries. Their objection is merely to being on an equal level with them.

The Liberals of all shades unreservedly welcome the idea of being part of Europe with close links with other European countries because for them it is a symbol of the lost world of free trade, free enterprise and restrictionless travel. Political democracy, according to their antiquated system of thinking, can only result from and survive under these conditions. Therefore, any advance towards integration of Europe means to them a step nearer to the Valhalla of freedom and democracy, in which they will sit in comfort and security resisting the tide of tyrannies to the right and to the left of them. One need not grudge them such a harmless and splendid vision but there is one snag. The very foundations of their contemplated Valhalla are based upon an illusion.

Decision Postponed

There remains the Labour Party of course, or what would be more correct to say, the remains of the Labour Party. It is characteristic of its present state that it has refused to make public its stand on the issue. It wants to have it both ways. If the negotiations fail, it will have a wonderful case against the Tories for inviting the disastrous snub. If they succeed, it will make noises about a few details here and there but accept the decision. This indecisiveness is not purely tactical. It follows from the basic assumptions of political philosophy which the leaders of the Labour Party and a vast majority of its followers accept. Even the worst enemies of Mr Gaitskell will not charge him with being a socialist. Nor are the men in his confidence socialists. But to avoid a break with the past, they have to keep on pretending that they are socialists of some sort or other, avoiding any ideological debate which will explode the myth.

Under these circumstances, the Party cannot pretend that the Common Market is either a socialist concept or is likely to be. Therefore, open approval of the entry into the Market will be hard to reconcile with the talk of monopolies and financial combines which is the stock-in-trade of platform orators

within the Party. Also difficult to reconcile will be the welfare state, to which the party professes to be wedded, with the chaotic conditions prevailing on the continent as far as social security goes. It is perfectly true that ten years of Tory rule have dismantled substantially the original edifice—a process which was started by Mr Gaitskell himself—but a great deal yet remains which is ahead of the Common Market standards. Aware of these problems, the Party has postponed the evil day of decision.

Sane View

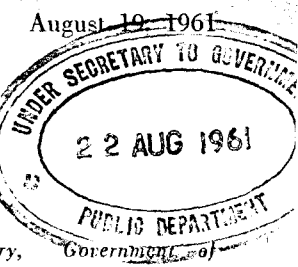
The Party may have opposed the whole concept from the very beginning but this it could not do without running the risk of being shown up in public as being utterly dishonest. It may have reservations about some of the economic policies within the Common Market but it fully subscribes to the political concept. This is where the deep waters of European politics have incapacitated it. The driving spirit of the Common Market Europeans is not the urge for democracy or planning but the fear of Communism and a desire to maintain the economic stranglehold on the newly independent countries. Fashionable as it is to write obituaries of the idea of empire, it is strange to see the old motivations assuming new garbs. Here the Labour Party has no alternative to offer. Its fear and hatred of Communism and the Communists is, if anything, greater than that of the parties on the right and the idea of an alliance against Eastern Europe satisfies its deeply Social Democratic instincts. It has also not produced any effective answer to the argument that Europe can survive only by selling to the under-developed countries and therefore must ensure, through its economic hold, the traditional markets. The threat that unemployment will follow if Britain did not join the Common Market has punctured any strength that may have been left in opposition to the idea. This is not to admit that it is a justifiable assumption.

The significant but small and ignored left wing opposition to the concept of Common Market throws

Not a Good Chit for Khadi

M C

Report of the Khadi Evaluation Committee, Ministry of Commerce and Industry, India, 1960. Pp iv + 387.



light on the confusion. Just to go back a little, when the Common Market idea was first promoted in Britain, it was claimed that this would be a purely economic measure and no political significance need be attached to it. From the very beginning this was misleading because all the schemes for economic union in Europe are, in the last analysis, schemes for political union. The political aspects of these schemes were always under-emphasised because of the prevailing national chauvinism in Europe after the war. A decade and a half of prosperity and hysterical anti-Communist propaganda has reduced this chauvinism and at present the idea of an eventual political union is freely talked of in Europe. Realising this, the left sees nothing in the scheme but a device to perpetuate the political *status quo* in Europe where the industrialists and international monopolies will rule supreme and, for decades to come, ultra right wing forces will hold the reins of government. In due course the intra-European mobility of labour may even be used to keep down wages and smash the political strength of organised labour. The left argues that the only political union in Europe worth supporting can only be a socialist one. Any other union will be a retrogressive step.

Another reason for the left's opposition to European integration at this stage is its avowedly anti-Russian character. In Britain it is widely held that Mr Macmillan was railroaded into joining the Common Market by President Kennedy. And the supreme objective of American policy in Europe is to build up a solid alliance against the Russians. In this connection, it was noticed that when recommending the steps to join the Common Market, Mr Macmillan persistently dwelt on the political significance of the move in terms of forming a counter-block against the Soviet strength. In this the left sees the end of any hope of reducing tensions in Europe or enlarging the area of neutrality. Taking a larger view in international terms, the Common Market according to their view, cannot but restrain economic growth elsewhere by virtue of its near-monopoly in pricing raw materials from all over the world. These factors, combined with its deep distrust of political

leaders like Dr Adenauer and President De Gaulle make the whole idea of integration repugnant to the left in Britain and in Europe.

For the time being, however, everybody will wait for the negotiations to open and see the terms which are offered to Britain. These will not be easy because of the consideration Britain has for its own links with European Free Trade Countries and the Commonwealth. Nor is the welcome on the other side of the British Channel open-armed. France, in particular, has serious reservations against British entry. On the whole it can be said safely, the political consequences of refusing admission to Britain will be so grave that the Common Market countries can hardly risk it.

Kenyatta's Release

It was during all this confusion about the question of Common Market that the Colonial Secretary announced the release of Jomo Kenyatta. His expectation that amidst all the excitement the release of Kenyatta will not arouse too much opposition among his backwoodsmen proved to be right. But the reservation made about his entry into Kenya legislature has attracted protest from all concerned with African affairs. There is no doubt that some time later, when the impact of his release has been absorbed, the law will be quietly amended to allow Kenyatta to play his part. Meanwhile, the restriction will divert Kenya politics to an agitation for granting such right to him now and hold up any progress towards stability in the area. This preoccupation with face-saving is creating quite a problem for the Colonial Office. Afraid of offending his party members, Mr Macleod has failed to deal with a number of crises in a sensible manner. The result has been a bolting up of nationalist agitations in a number of territories and in places like the Central African Federation these are building up towards an explosion. The British may find themselves involved in yet another bitter and inglorious conflict in some part of Africa unless some way can soon be found of dealing with the growing Blimpism in the country.

This Blimpism has been reflected in the treatment given to Mr Khrushchev's new programme for Soviet Russia. After giving it a sensational

treatment, the press here has shied away from discussing it. Here and there attempts have been made to write it off as nothing but old promises being renewed combined with doubts about its eventual fulfilment. This is not surprising for the aim of papers here is not to publicise Soviet achievements. An objective review of the Soviet programme may indeed reveal inconsistencies and shortcomings. The point, however, is that no one has thought fit to draw a lesson for the British economy. The effects of the Chancellor's measures have followed the predicted lines. Credit is tighter and has affected car sales on which the British economy has come to depend so much. Otherwise there is no rush to overhaul the economy in any way.

Challenge — and Response !

As if to underline the inadequate response of the Western world to the growing challenge from Russia, the week has been rounded off by the magnificent space exploit of the Russians. This has at last silenced the baby blimps among the precocious political commentators here who expressed doubts about Major Gagarin having ever been in space. This would be all too ridiculous were it not a symptom of the disease which has penetrated all stratas of English society, the growing tendency to act like troglodytes. As late as the 20th of July, Lord Altrincham, who was once made much of in India because he made some appropriate noises about Gandhi and Nehru, was sulking because of the warm reception accorded to Major Yuri Gagarin. Writing in *The Guardian* he had this to say:

"The smiling major was obviously sent here by his masters for propaganda purposes. The exploit for which Major Gagarin is famous was well timed from Mr Khrushchev's point of view. It occurred when it was known that the Americans were about to send a man into space. Did it, therefore, occur at all? On the whole it seems fair to give Major Gagarin the benefit of the doubt. But it is a very substantial doubt. The unsupported word of men who lie systematically and on principle must be always be treated with extreme caution. He is not a child of nature; it would be nearer the truth to describe him as a mechanical artefact. A brain-washed slave may be lovable, but love for him must be tinged with pity, not with hero-worship."

Any comment on this will be superfluous.

HISTORICALLY, Khadi symbolised the spirit of Swadeshi and formed an inseparable aspect of the wider objective of "Swaraj". It represented the social and economic aspect of "Ahimsa" insofar as social cohesion, political consciousness and economic equality were sought to be achieved among the masses through the Charka, in much the same way as political emancipation was expected to be achieved through non-violence. Khadi formed an essential part of the political philosophy of the nation during the pre-Independence era.

The role of Khadi was not to be co-terminus with that of the Independence struggle. Gandhiji envisaged for Khadi a more enduring and dynamic role in reshaping the country's post-Independence socio-economic life. He visualised Khadi as an instrument to achieve a new social order, characterised by (1) self-sufficiency, self-reliance and dignity of labour; (2) decentralisation of production; (3) absence of the employer-employee nexus; (4) assurance of a basic minimum social wage to the "have-nots"; and (5) a sense of simplicity, devotion to duty and dedication to the welfare of fellow-beings.

Propagation of Khadi was the work of non-official agencies and social workers, many of whom were trusted lieutenants of the Mahatma. The movement was spearheaded by the All-India Spinners' Association and the Sarva Seva Sangh till 1953, when the All-India Khadi and Village Industries Board was constituted by statute. The constitution of the Board (which was, later reconstituted into a Commission) did not alter either the character of the organisational media for carrying on the work or their personnel. Both were taken over from the earlier non-official organisations. The only difference that was made was that after 1953, unlike in the past, the programme has been

sponsored, aided and financed by the Government as a part of its programmes for planned development of the country. This departure was of the utmost significance, because it afforded an opportunity to those engaged in propagating Khadi to bring about the socio-economic revolution visualised by Gandhiji. How far have they taken advantage of this opportunity? How far have the objectives embodied in the Khadi programme been realised?

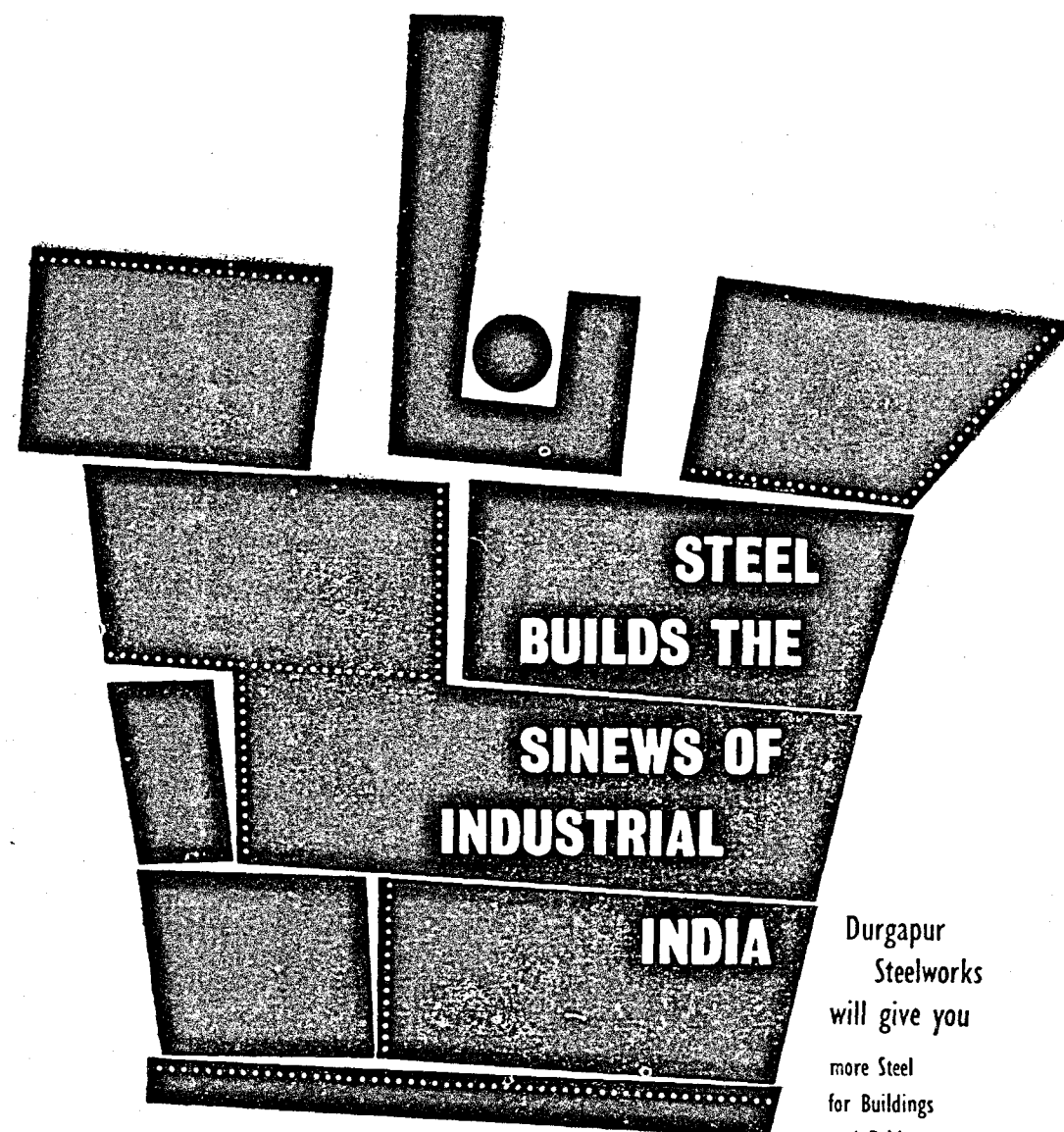
Impressive Figures

A frequent criticism of the programme is that it is a programme of relief — a means of distributing dole — rather than a programme of reconstruction. It is also argued that the Commission has not succeeded even in this limited objective since the overhead costs incurred by it in distributing these doles have been very heavy. Is there any substance in these charges? What have been the shortcomings of the Khadi programme — conceptual and operational? At what cost is the programme being implemented and is the cost justified by the achievement? The Gyanchand Committee, which undertook an appraisal of the progress of the Khadi programme since the Khadi Commission took over, sought to answer these and some other questions about the Khadi programme.

Table 1 : Expenditure, Production and Employment

Year	Expenditure (Rs Lakhs)	Production (Lakh Sq Yds)	Expenditure/Output Ratio	Employment (Lakhs)	Expenditure/Employment Ratio
(1)	(2)	(3)	(4)	(5)	(6)
1953-54	94.99	115.63	0.82	3.79	25.0
1954-55	247.95	192.66	1.28	5.18	47.8
1955-56	457.74	289.04	1.58	6.58	69.5
1956-57	805.00 (199.09)	1074.09	2.57 (1.92)	8.23 (0.46)	8.69 (97.8)
1957-58	1054.63 (592.07)	1646.70	3.28 (2.10)	9.69 (1.53)	11.22 (108.9)
1958-59	1388.05 (958.40)	2346.45	4.85 (2.87)	11.16 (2.64)	13.80 (124.3)

Note : Figures in brackets in columns (2) and (5) relate to the Ambar programme and in columns (4) and (6) exclude the Ambar figures.



ISCON

INDIAN STEELWORKS CONSTRUCTION CO. LTD.

Simon-Carves Ltd. The Wellman Smith Owen Eng. Corp. Ltd. Head Wrightson & Company Ltd. Davy and United Engineering Company Limited. The Cementation Company Ltd. Associated Electrical Industries (Rugby) Ltd. The English Electric Co. Ltd. The General Electric Co. Limited. Associated Electrical Industries (Manchester) Ltd. Sir William Arrol & Company Ltd. Cleveland Bridge & Engineering Co. Ltd. Dorman Long (Bridge & Engineering) Ltd. Joseph Parks & Son Ltd. Iscon Cable Group.

BRITISH COMPANIES WORKING FOR INDIA

Durgapur
Steelworks
will give you

more Steel
for Buildings
and Bridges,
Agricultural Implements,
Sleepers and
Fish Plates,
Wheel Sets
for Railways.

included. The progressive increase in expenditure per yard of output and per person employed over the period 1953-54 and 1958-59 are given in Table 2. It will be obvious from the Table that while expenditure on the traditional Khadi programme increased over fourteen-fold, production increased just over four-fold and employment merely trebled itself. Expenditure by the Government on every yard of Khadi produced increased three-and-a-half times and that on every person employed increased nearly five times. The increase in expenditure is much higher if the Ambar programme is taken into account.

Disproportionate Increase in Expenditure

It is obvious that the increase in expenditure has been disproportionately high compared to the increase in output and employment. Is this because of the capital expenditure involved in the construction of godowns and office buildings and initial investment in Charkas and other accessories which became necessary as a result of expansion of the programme to cover new areas? Since production and employment cannot be expected to increase in step with the increase in expenditure in the initial years, some degree of imbalance may be regarded as inevitable.

This does not, however, appear to be the case as is obvious from a review of the expansion of the Khadi programme during the period under consideration. As in the past, the Khadi programme appears to have been concentrated essentially in six States — UP, Bihar, Punjab, Rajasthan, Andhra and Madras — which together accounted for nearly 88 per cent of the Khadi produced by conventional Charkas. Even within these traditional centres, the report points out that production has not been organised in new

areas. The increase in the number of institutions or agencies associated with the Khadi programme between 1953-54 and 1958-59 is not so much the result of the extension of the programme to new centres as of its more intensive implementation in areas where it was already in operation.

As against the expenditure of nearly Rs 125 per person employed, the average earnings of a spinner and the duration of employment in the year make dismal reading. On the basis of the period of employment and the quantity of Khadi produced, the average annual earnings of a spinner is estimated at Rs 20.25. It varies between Rs 11 in West Bengal and Rs 55 in Mysore. The average duration of employment is estimated at 119 3-hour working days or 45 8-hour working days per year. Though the wage of the spinner has been raised from 3 annas in 1953-54 to 8 annas in 1960, earnings of spinners do not appear to have increased at all.

From the figures of total hours of employment it can be calculated that about 2.49 lakh persons found full-time employment in 1958-59 in the Khadi programme. Against this, the output of Khadi was worth Rs 9.58 crores and the total expenditure incurred on the programme was Rs 13.88 crores. The outlay/output and the outlay/employment ratios thus work out to 1:0.69 and 557:1, respectively. In other words, it cost the country Rs 1.45 in terms of outlay for every one rupee worth of output and Rs 557 for every single person employed at extremely low rates of wages. These statistics give a shattering blow to the belief that traditional techniques are labour-intensive and that with little or no additional capital investment they yield relatively large outputs and employ a relatively large number of persons.

During its six years of operation the programme has absorbed a total outlay of Rs 7,039.35 lakhs. What would have been the result, in terms of employment and output, had this investment been made in small-scale industries? According to official estimates, the average investment per worker in a modern small-scale unit is Rs 5,000, inclusive of investment in working capital. It is also estimated that for every rupee of Governmental outlay, corresponding private outlay in small industry is normally around Rs. 5. Thus if the investment of Rs 7,039.35 lakhs, made in the Khadi programme, had been made in the small industry programme, it would have resulted in aggregate capital investment, including private investment, of the order of Rs 352 crores. Total direct employment as a result of the investment would have been more than seven lakhs.

Comparison with Small Industries

It is often argued that the work of the Khadi Commission and its achievements cannot be assessed in quantitative terms since the programme aims at achieving comprehensive socio-economic regeneration. Available evidence, however, gives no indication of such socio-economic regeneration. The Khadi programme is still confined to some six States. Self-sufficiency, related either to the individual or the region, still remains a far-away ideal and the bulk of the Khadi produced is sold in the cities. The whole programme is urban-oriented and "there is no indication that the undesirability of this practice is appreciated" (p 74). Though the Ambar Charka represented a considerable advance in the technique of spinning, its actual benefits by way of increased production and wages bear little relation to the financial outlay on it. About 40 per cent of the Ambar Charka distributed are reported to be wholly idle and the

Table 2 : Progress of the Khadi Programme
(Chain index with 1953-54 as base)

Year	Expenditure		Production	Expenditure/Output Ratio		Employment		Expenditure/Employment Ratio	
	T K P	Total		T K P	Total	T K P	Total	T K P	Total
1954-55	261.03	261.03	166.62	156.09	156.10	136.68	136.68	191.20	191.20
1955-56	481.88	481.88	249.97	192.68	192.68	173.61	173.61	278.00	278.00
1956-57	847.46	1130.74	360.93	234.15	313.41	217.15	229.29	391.20	494.40
1957-58	1110.25	1733.55	432.94	256.10	400.00	255.67	296.04	435.60	586.80
1958-59	1461.26	2470.21	417.66	350.00	591.46	294.46	364.12	497.20	680.00

Note : "T K P" stands for the Traditional Khadi Programme. "Total" includes the Ambar programme.

"60 per cent of the so-called active Ambars are worked as a rule, for less than 3 hours a day" (p 97). In terms of man-days of 8 hours each, average employment per Ambar Charka operator comes to hardly 55 days in a year, and average earning to Rs 53. The programme of training is not related to the requirements of the development programme and, of the 1,237 persons trained in Regional Vidyalayas, the Commission could account only for 232 as having been absorbed in the programme. Few attempts are made to earnestly organise Khadi and related activities on co-operative basis, there being only 300 co-operatives of all types. Of these again, 77 per cent are concentrated in the three States of Mysore, Bombay and Andhra. Even in these States the majority of the societies are sales co-operatives, selling woollen blankets.

The intensive Area Programme—the instrument meant to achieve the Commission's objectives of full-employment, regional self-sufficiency, social uplift and economic regeneration—has left much to be desired in its working. Owing to its one-sided emphasis on Khadi work, it does not appear to have succeeded in mobilising local resources to meet local needs. Even in respect of Khadi work, it has failed to effectively demonstrate the success of the integrated approach in reducing the cost and price of Khadi, increasing productivity and expanding local markets.

In sum, it appears that even as a programme of relief the Khadi programme has failed, if it is judged by its success in utilising available idle man-power in areas where unemployment is chronic.

U K Balance of Visible Trade

THE United Kingdom balance of visible trade—the difference between imports (valued c.i.f.) and exports (valued f.o.b.)—improved in the second quarter of this year, according to full trade figures for June issued by the Board of Trade in London on July 24.

On a seasonally adjusted basis, this balance improved from a deficit of £64,000,000 a month in the first quarter to one of £43,000,000 a month in the second quarter. The improvement resulted mainly from a further fall in imports.

The final figures for June also confirm the provisional figures issued earlier this month, showing a rise in exports to £316,300,000, a fall in imports to £371,300,000, and re-exports stationary at £13,800,000.

The second quarter has seen a considerable reduction in the balance of visible trade, popularly known as the "trade gap". The deficit of £43,000,000 a month in this quarter is in strong contrast with the comparable figure for 1960 of £72,000,000. And it should be remembered that the balance of visible trade, as shown in the U.K. balance of payments, is always more favourable than this trade balance, mainly because imports are valued f.o.b. rather than c.i.f.

The main cause of the improvement in the balance of visible trade in the second quarter is admittedly a fall in imports rather than (which would have been desirable) a rise in exports. Exports in the second quarter were actually 1 per cent less, on a seasonally adjusted basis, than in the first quarter. But this fall can probably be accounted for, thinks the Board of Trade, by the inclusion in the figures for the first quarter of some exports delayed by the strike in the autumn of 1960, while some exports delayed by the strike in April and May this year may not have been included in the June figures. Allowing for these factors, exports have probably shown a gradually rising trend in both the first and second quarters of this year.

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Kennedy and Khrushchev in the World Revolution

Andrew Gunder Frank

Will Kennedy and Khrushchev lead the U.S.A. and the U.S.S.R. towards a rapprochement?

There has been widespread hope and optimism from most quarters in the world that they will; fear and pessimism that they may by those like Senator Goldwater, Chancellor Adenauer, Generalissimo Chiang Kai Shek (and, may be, even Mao Tse Tung) who were most concerned that Kennedy not be elected.

So far apart on other issues, the Left and the Right are in substantial agreement on the likelihood of a thaw in the cold war during the administration of Messrs K and K.

But there is much cause to take exception to this optimism (or pessimism), and the time has come to voice a dissenting note.

OPTIMISM for improvement in Soviet-American relations is warranted only if the two countries and their leaders have good intentions and if they are in fact able to determine their own and others' fate. The military and economic power of the U.S. and the U.S.S.R., and the space the press devotes to American and Russian affairs, has led many people to believe that the Big Two do have this power to transform their intentions into reality. Much of this feeling, particularly in the United States and Europe, whom history has given an exaggerated sense of their own importance, arises out of mistakenly perceiving the well spring of world events in America and Russia and not, where in reality it is, in the crisis of the world social revolution. It then appears incongruous, in a world in which the U.S. and the U.S.S.R. are regarded as the two big dogs, to find from time to time a Congolese or a Cuban tail to be wagging the dog. Apparently Castro (invariably pictured as puny and small in American newspaper cartoons, even though he is 6 feet, 5 inches tall) is wagging the American dog in Latin America, and the Congo's Katanga and Kasai tails are wagging both Kennedy and Khrushchev.

Some will deny, of course, that Cuba and the Congo are really making American and Soviet policy. But as in all paradoxes, the solution to this puzzle lies in a restatement of the problem. Cuba, Congo, China and of course all of the underdeveloped and heretofore underprivileged parts of the world are the dog, to continue our analogue, and the relatively rich U.S. and U.S.S.R. are the tail. We will increasingly find

in the future that the C.C.C. dog is indeed wagging the K.K. tail.

Two Revolutions

There are in the world today two major revolutions, one technical, and the other social, economic, political and may be spiritual. The technical revolution does have its source in Russia and America, and perhaps in the long run it is the one which will shape the world and thereby its politics. But in the short and medium run, it is the social revolution, based in the underprivileged 2/3 of the world, which will shape events, Soviet and American foreign policy included.

The technical and social revolutions have their counterparts in a basic policy argument between West and East. Westerners maintain that income must be increased first, through technical means, before it can be desirably distributed. Marxists insist that power and wealth must first be redistributed through social revolution before income can rise. One need not be a Marxist, however, to note that in a world in which, failing this redistribution, the poor grow poorer while the rich grow richer, the verdict of history is heavily on the Marxist side of this argument. But Marxist theory or Western, the world social revolution will proceed in the Chinas, Cubas, and Congos from Afghanistan to Zanzibar. These revolutions and the last ditch struggles against them by the local landlord and urban privileged class opposition will occur inevitably regardless of encouragement or discouragement by East or West. If yesterday saw them in Egypt and Cuba, today in Laos and Congo, tomorrow will

surely witness them in South Vietnam, Iran, Angola, Peru, etc. Some will cry "Wars of Liberation" and others "Communist Aggression," but all will be drawn into the fray. The U.S. and the U.S.S.R. are particularly committed to positions in, and response to this struggle. Thus, the world revolution movement and the conflicts to which it gives rise inevitably will and must importantly affect the degree of conflict of rapprochement between the U.S. and the U.S.S.R. It is a major thesis of this article that Soviet-American relations in the coming years will therefore depend less on Kennedy's and Khrushchev's intentions than on world events and the commitments the U.S. and the U.S.S.R. have toward them. What then are these responses and commitments likely to be?

Support to Status Quo

The history of all American response to social revolutions since World War II, except towards Yugoslavia, has been to oppose social and economic reform governments parties and movements, and to support instead *status quo* governments, parties and movements, ranging from the military dictatorships in South Korea, South Vietnam, Turkey, Spain, and indeed in the U.S.'s own Okinawa all of the governments representing the army, the landowners and the Church, to Governments or moderate reform movements of the right representing landowners or urban middle classes, generally commercially rather than industrially based, or coalitions of the two such as those of Bentancourt in Venezuela, Kishi in Japan, and Kasavubu in the Congo. In 1960 alone, the U.S. supported and

protected right wing dictators, even against "palace guard" reforms, in Vietnam, Salvador, Guatemala and Nicaragua. The United States militarily supported the overthrow of the moderate left reform government of Arbenz in Guatemala and supported a right wing government instead. She flew troops to Lebanon to support the conservatives there. She sent arms to Batista until the end and tried to persuade him to resign in favour of a right-wing compromise government, which was to be immediately recognized and supplied with more arms in order to prevent the victory of Castro's then still mildly reformist movement. The U S has financed the entire army of the right wing Laotian government and keeps military advisors there (in violation of the Geneva agreement), and it has balked for months at a neutralist settlement in Laos.

The U S has consistently opposed even the non-communist reformer Sukarno in Indonesia, and Nasser in Egypt, and it undermined from the beginning the influence of Lumumba, who had then visited New York and had made a deal with an American for large scale financing and organizing of Congo economic development. Though the U S did sponsor a Japanese land reform, economic power is, if anything, more concentrated today in the Zaibatsu of Japan than it was before the war. America has found it impossible, except in Suez, to disengage itself from support of the colonialism of its NATO and SEATO allies. The stoning of Nixon in Latin America, the mobbing of Eisenhower in the Far East, the attacks on American embassy as well as Belgian after the death of Lumumba are not, as is so universally suggested in the U S, entirely the result of successful Communist propaganda; they are reactions by the underprivileged peoples of the world to the U S record of consistent opposition to their much-desired social revolution.

Change Will Be Difficult

It has frequently been suggested that the Kennedy administration will change American foreign policy for the better. But that will be difficult at best. It is no accident that the United States has pursued this conservative policy against the world social revolution movement. Moreover, the past has saddled Kennedy

with some bad situations; consider, for instance, the Congo and Chiang Kai Shek. It has also been suggested that Kennedy will reverse the reliance on foreign policy tools of his predecessors, and return to Teddy Roosevelt's adage of "speak softly and carry a big stick". But the early statements and decisions of his administration indicate that "speak softly and use a big stick" will more aptly describe the foreign policy of his administration. Indeed, little else could be expected of the party in power in a country in which the opposition party can cripple it after any indigenous revolution such as those in China and Cuba by charging that the government party has "given the country away to the Communists".

Kennedy's first action on the international scene was to procure an immediate increase in air force troop carrying capacity, in order, as he himself announced, to be able to deal more effectively with "Communist aggression" (synonymous with "wars of liberation", remember) anywhere in the world. No further evidence of things to come is really needed, but more is available. Kennedy has several times announced that he seeks to prevent the "Cuban menace" from spreading revolution to other parts of Latin America. In other words, the U S will continue to resist all, including indigenous, social reform movements in Latin America by calling them Cuban and Communist subversion. To put teeth into this resolution, Kennedy has appointed to head his Latin American "task force" AA Berle who, in the classical pattern, now vehemently attacks the social reforms abroad which he supported at home during the Roosevelt era.

Kennedy and Stevenson, his Ambassador to the U N, have not changed American policy in the Congo, notwithstanding that even the American press says that Kasavubu has a small and declining part of the support of the Congolese, next to the growing popular support for the Lumumbaists. Nor does the Kennedy administration accept any responsibility by the United States for the deplorable situation which now exists in the Congo. This is a question, not of switching support, but only of admitting the consequences, known all over Asia and

Africa, of supporting Kasavubu and Mobutu to the hilt, while failing to oppose N A T O ally Belgium's support of Tshombe and Kalonji. But there is no sign of a better future built on an admission of a past mistake. The same might be said to hold true as regards Chiang in Formosa. Indeed, the co-architect of America's policy toward China at the time MacArthur crossed the 38th parallel with the admitted intention of making war on China has become Kennedy's Secretary of State. Though Kennedy also appointed Chester Bowles as Under Secretary of State, and at this writing seems willing to support some neutralist settlement (which will inevitably be temporary) in Laos, the main stream of the Kennedy foreign policy with respect to revolutions is clearly laid out: Business as usual, at the same old stand.

With respect to the other main Russian-American issue, disarmament, Kennedy has made his position equally clear. Although he has admitted, first in a TV campaign debate and again in his State of the Union message that the U S has not in the past seriously sought disarmament, he has left no doubt by word or deed that though he will discuss and negotiate, he does not really seek disarmament either, but rather the arms preserving "arms control" policy. Indeed, Kennedy promises to increase armaments.

Soviet Position

What of the Russians? Westerners, and particularly Americans, have long accused the Russians of "Communist aggression," or leading an international Communist conspiracy to subvert the liberty of free peoples. But the situation is more complicated than that. Most people of Asia, Africa, and Latin America never had any liberty to begin with nor the people of Hungary either. That is precisely why they are in open revolt against their rulers, foreign and domestic. These struggles are of local origin, not of Moscow's or Washington's. To pursue our question of Russian-American rapprochement possibilities, the question arises what the Soviet Union's position and commitment toward these is.

The Soviet Union has in the past unquestionably supported these local social revolutions in the main, but

not as single mindedly as Americans have claimed or as Trotskyists and Maoists would have wished. The Soviet Union did not, let it be remembered, support the Chinese Communists at the time of Chiang's succession to Sun Yat Sen, nor did Stalin support Mao's war against the Nationalists during and after World War II. Only when presented with a *fait accompli* in China did the Soviet Union swing in behind Communism there. And the Russians have been careful never to share the atomic bomb with the Chinese since. This same issue about "consolidating the revolution at home" versus "spreading the revolution in the world" has of course divided the Stalinists and the Trotskyists all along. The Cuban Communists did not support Castro until seven months before he won, and the Russians did not send him aid until a year after. Though Soviet support of social revolutions has not been unqualified, the Russians do have a strong commitment to support these movements. No less than when Alexander Nevsky was simultaneously beleaguered by the Teutons and the Mongols in the thirteenth century, is Russia today embattled by both the West and China, and the "emerging" countries of the world as well. And possibly more than at any time since Peter the Great first opened a window to the West is Russia today trying to move West. But the West, and particularly the U S, shows scant appreciation for Russia's dilemma and does not make her task any easier. The West remains intransigent about disarmament, which would free Russia's resources to increase and Westernize her standard of living, and American intransigence in permitting never mind supporting, mild social reformers such as Nasser, Sukarno, and the early Castro and Lumumba movements, forces these movements to look to Russia for support.

Apart from the more obvious moral, ideological and political motives to support the "wars of liberation" and their more moderate variants, the Soviet Union has other reasons to respond actively to this worldwide movement. Not the least of these is that while the left extremists at home demand to see results in the revolution abroad if

they are going to support Khrushchev's disarmament programme, the Chinese in word and deed pressure the Russians not to sacrifice the speed and intensity of the world revolution to Russia's desire to co-exist with the Imperialists. And if Chinese words are not sufficiently impressive to Russia, increasing Chinese influence in Africa and Latin America is.

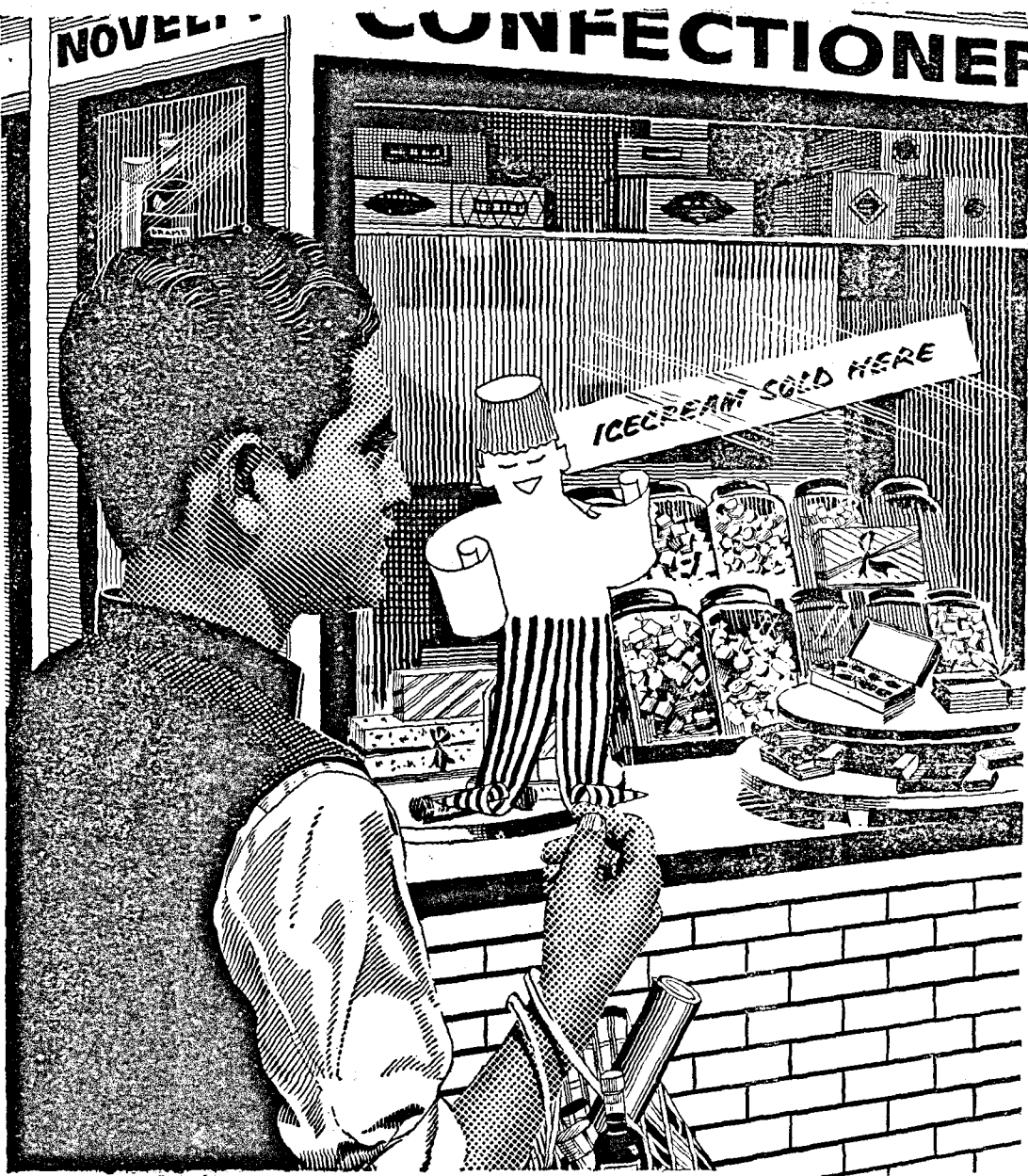
For the present, then, the U S and the U S S R remain aligned and committed to opposite sides of the world social revolution movement. The U S has been supporting mobilization for a counterrevolution in Cuba; the U S S R will almost surely continue to support Castro's revolutionary government. Today's settlement in Laos will become unsettled again tomorrow, and lead to a clash there. Russian-American disagreement as to whether the newly forming African trade unions should be political, European style, or "bread and butter", American style, forebodes deeper and more far reaching disputes in that continent. Who knows which country will explode next and draw America and Russia into conflict on still other fronts. Since in the coming years the local struggles can be expected to multiply and intensify, the good intentions of Kennedy and Khrushchev notwithstanding, America and Russia are not likely to be able to effect much rapprochement.

Prospects for Rapprochement

If prospects for a real thaw in the cold war are not good for the present, what of the future? No crystal ball is necessary, I believe; the handwriting is on the wall for all to read who will. The United States will continue to oppose the world's social revolution and to balk at disarmament in the future as it has in the past. Hopefully, (or fearfully, depending on where you stand), the U S will in time moderate its opposition to even moderate political and social reformers and thereby lighten the pressures on them and the Soviet Union to move still further to the left extreme. But more likely, the U S will stiffen rather than relax its opposition: American intransigence is already loosing the U S the support of its allies, and it will continue to do so increasingly in the future. Making up for this loss of

support, particularly when Britain and Canada begin to seriously abandon American foreign policy, is likely to prompt the U S to substitute a stiffer and still more militarily based foreign policy of its own. To rally the necessary support for such a policy, America is likely once again to turn, McCarthyist style, and on a scale heretofore unheard of, to red-baiting any and all reform movements as well as domestic critics of that foreign policy. Domestically, this prospect rests on the substantial, and elsewhere unappreciated, direct democracy of the force of American public opinion, combined with the demonstrated ability of the press and TV to mould that opinion on issues of foreign affairs where the American public cannot discern their own interest through direct personal experience. Only if a significant part of the press is wrested away from the control of the American right Wing does the above prospect not seem inevitable.

The Soviet Union, for its part, will gradually lend less and less support to the world's revolutionary movements. As before Russia first sought to "consolidate" Communism at home while she was poor, she then will seek to "enjoy" at home the riches that Communism has brought her. Already contending against the Chinese, who wish only extreme revolutions, that moderate reform movements should also receive support, Russia will increasingly support only moderate and evolutionary social reform movements. The role of supporting the more extreme left reforms will increasingly fall to China, as that of providing a model to the new revolutionary movements for the conquest of power and initiation of agrarian reform has already passed from Russia to China. Russia, who all but skipped a Marx's capitalist stage of history will be left with an equally attenuated period of world leadership. For the prospect of better Russian-American relations, though not necessarily for the good of the world, this long run trend augurs well: Russia and America will yet unite to face poverty, social revolution and China, as their common enemy.



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Crop Adjustments to Raise Agricultural Production

D S Chauhan

In the context of planning for higher agricultural production, it is relevant to enquire how far the cultivated area in the country is under the most suitable cropping systems, and, further, to explore possibilities of raising agricultural production through crop adjustments.

The author presents the results of a study aimed at examining the localisation of crops with a view to assessing how far the cropping systems are adjusted to the primary factors in agricultural production: quality of the soil and climatic conditions. On the basis of the analysis of existing crop systems, it is intended to see whether, and to what extent, production can be increased through crop planning or crop adjustments.

[This article is an extract from a study "Land Utilisation and Cropping Pattern" by the Institute of Social Sciences, Agra, to be published shortly.]

THIS study relates to U P which has over 50 million acres of cultivated land. It covers eight major crops: paddy, wheat, bajra, jowar, maize, gram, barley and sugarcane, which account for 78.45 per cent of the total cultivated area, and are fairly representative of the important crop groups in the State. The data is taken from the "Season and Crop Reports for U P", published annually by the U P Government. The extent of cultivation of different crops and their average yields have been calculated by averaging the respective data for the five years, 1953-54 to 1957-58. The district is taken as the basic area unit.

In the first stage, data for the eight crops for 48 districts (excluding four hill districts for which the necessary information was not available) was averaged over the five years, and eight consolidated tables, one for each crop, were prepared, showing the extent of cultivation as per cent of total cultivated area and average yields and standard yields in maunds per acre.

Correlations were then worked out between the extent of cultivation and the yield for the eight crops separately (see Table 1). Further, because of the large variation both in the extent of cultivation and the yield of different crops from one district to another, for each crop the 48 districts were classified into five groups on the basis of the degree of variation in the extent of cultivation and yields. Variation was measured from the State average, and the following classification was evolved:

Group	Extent of variation (%)
A	Above + 15
B	+ 5 to + 15
C	+ 5
D	- 5 to - 15
E	Below - 15

On the basis of this classification, the extent of adjustment in the case of each crop was analysed. To determine the extent of adjustment, the following procedure was adopted:

	Extent of cultivation				
	A	B	C	D	E
Yield	A	AA	BA	CA	DA
	B	AB	BB	CB	DB
	C	AC	BC	CC	DC
	D	AD	BD	CD	DD
	E	AE	BE	CE	DE

By applying this formula, the following five adjustment categories were determined:

Adjustment categories	Groups in each category
I Well adjusted	AA, BB, CC, DD, EE
II Sufficiently adjusted	AB, BC, CD, DE BA, CB, DC, ED
III Tolerably adjusted (Having some degrees of maladjustment)	AC, BD, CE CA, DB, EC
IV Maladjusted	AD, BE, DA, EB
V Highly maladjusted	AE, EA

The adjustment category of each district was determined on the basis of the above classification for each crop separately. This was done on the basis of the adjustment of extent of cultivation to both average yields and standard yields. The extent of area under each adjustment category was calculated for all the eight crops separately, (see Table 2), and then to summarise the findings, the results obtained in respect of the eight crops were combined (see Table 3). Finally, to obtain a broad picture of the extent of adjustment

and maladjustment in the case of different crops, the five adjustment categories were reduced to two broad classes, showing, respectively, the extent of adjustment and maladjustment (see Table 4).

Some broad conclusions which may be derived from the data presented in the Tables may now be summarised. First, there does not appear to be much difference between the results arrived at by taking the average yield as the basis and those reached by taking the standard yield as the basis. Second, the cropping system shows a very great extent of maladjustment, indicating a large-scale misuse or improper use of the cultivated area. Roughly 1/3 or about 30 per cent of the cultivated area is being used to grow unsuitable crops. From this it is estimated that with the existing level of technology it is possible to increase agricultural production significantly if the necessary crop adjustments are made.

The degree of maladjustment is, of course, different for different crops. Amongst the crops studied, it was found to be maximum in the case of paddy which is the most common staple crop in the State; it was least in the case of sugarcane which is the most important commercial crop. Further, maladjustment was greater in *khari* (summer) crops than in *rabi* (winter) crops, and, on the whole, much less in the case of crops cultivated mainly for the market. Winter crops, as a group, are more commercialised compared to summer crops. Thus, it appears that greater the degree of subsistence farming, greater the extent of maladjustment of crops and greater the misuse of land.

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- the branches and Treasury Pay Offices of the State Bank of Hyderabad within the State of Maharashtra, except at Bombay.
- the Government treasuries and sub-treasuries in the State of Maharashtra at places where there is no branch or Treasury Pay Office of the aforesaid Bank.

Full particulars can be obtained at any of the offices mentioned above.

The conclusions that emerge from our study for UP are perhaps broadly true for the country as a whole. It is estimated that in the country as a whole at the present level of techniques, an increase of 12 to 15 per cent in agricultural production and of about 10 to 12 million tons in food production is possible by correcting the maladjustments in cropping patterns. Such correction of maladjustment may require expansion or reduction of area under specific crops in different parts of the country. It may even mean cessation of cultivation of some crops by some farmers and in some regions. In sum, it is bound to be a change towards lesser diversity and

greater specialisation. In all cases, it involves a change from conventional cropping systems. It involves questions of the basic motives governing the pattern of farm production and of the incentives which will induce farmers to change to new patterns. The necessary adjustments will also depend on certain other considerations i.e. the organisational and institutional framework of agriculture, the resources available to

Table 3

Adjustment categories	Based on average yield		Based on standard yield	
	Area (million acres)	% of total	Area (million acres)	% of total
Well adjusted	7.6	19.3	5.0	12.8
Sufficiently adjusted	10.2	26.0	11.8	28.8
Tolerably adjusted	9.2	23.5	11.3	28.8
Maladjusted	6.8	17.4	7.1	18.1
Highly maladjusted	5.4	13.8	4.5	11.5
Total for UP	39.2	100.0	39.2	100.0

Table 1

Crop	Correlation between extent of cultivation and average yield		Correlation between extent of cultivation and standard yield	
Paddy	— .263		— .059	
Wheat	+ .130		— .093	
Bajra	— .146		— .154	
Jawar	+ .373		— .061	
Maize	+ .157		— .606	
Gram	— .385		— .273	
Barley	+ .319		+ .390	
Sugarcane	+ .639		+ .697	

Table 4

Crops	Extent of Adjusted Area		Extent of Maladjusted Area	
	Based on average yield	Based on standard yield	Based on average yield	Based on standard yield
Paddy	53.5	56.5	46.5	43.5
Wheat	72.9	68.7	27.1	31.3
Bajra	64.1	72.8	35.9	27.2
Jawar	62.5	75.3	37.5	24.7
Maize	64.4	70.4	35.6	29.6
Gram	78.1	79.5	21.9	20.5
Barley	74.3	67.5	25.7	32.5
Sugarcane	89.2	98.6	10.8	1.4
All crops	68.8	70.4	31.2	29.6

Table 2

Crops		Well adjusted		Sufficiently adjusted		Tolerably adjusted		Maladjusted		Highly maladjusted	
		Area ('000 acres)	%	Area ('000 acres)	%	Area ('000 acres)	%	Area ('000 acres)	%	Area ('000 acres)	%
Paddy	A	1207	13.5	531	6.0	3028	34.0	2107	23.6	2041	22.9
	B	313	3.5	2455	27.5	2270	25.5	2026	22.7	1850	20.8
Wheat	A	828	9.1	3672	40.4	2116	23.3	2174	24.0	290	3.2
	B	976	10.8	2193	24.1	3070	33.8	2294	25.3	547	6.0
Bajra	A	774	28.0	469	16.9	531	19.2	355	12.8	640	23.1
	B	402	14.5	736	26.6	879	31.7	47	1.7	705	25.5
Jawar	A	1123	49.7	193	8.5	96	4.3	390	17.3	455	20.2
	B	552	24.5	527	23.3	621	27.5	134	5.9	423	18.8
Maize	A	1012	40.3	412	16.4	194	7.7	117	4.7	776	30.9
	B	439	17.5	693	27.6	635	25.3	413	16.4	331	13.2
Gram	A	1423	22.0	1813	28.0	1819	28.1	1006	15.5	412	6.4
	B	1079	16.7	2289	35.3	1778	27.5	1327	20.5	—	—
Barley	A	692	15.0	1951	42.4	775	16.9	390	8.5	792	17.2
	B	992	21.6	1154	25.1	958	20.8	836	18.2	560	14.3
Sugarcane	A	499	19.1	1162	44.4	673	25.7	282	10.8	—	—
	B	275	10.5	1235	47.2	1069	40.9	37	1.4	—	—

A = Based on average yield
B = Based on standard yield

the farmer and the progress of general economic development in the district or locality concerned. The speed at which existing maladjustment in the cropping systems can be corrected will depend on all these factors. For that reason, no drastic change can be brought about overnight in the cropping patterns. Crop adjustment is essentially a long-term measure and should be taken up as such.

Scarcity of land and capital im-

pose severe limitations on Indian agriculture. Under such circumstances, misuse or unwise use of available land is intolerable and any measure seeking to increase agricultural production without involving the use of scarce resources is particularly welcome. We consider crop adjustment to be one such measure, and hence of special significance.

Besides, as long as the cropping pattern is maladjusted, investment in

other directions calculated to increase agricultural production, cannot yield the maximum benefit. Under an unsuitable cropping pattern, not only is the existing misuse of resources perpetuated but fresh investment will likewise be largely wasted. The introduction of the Japanese method of paddy cultivation in areas which are not at all suitable for rice cultivation is one illustration of such waste.

FROM THE TROMBAY PLANT OF UNION CARBIDE INDIA



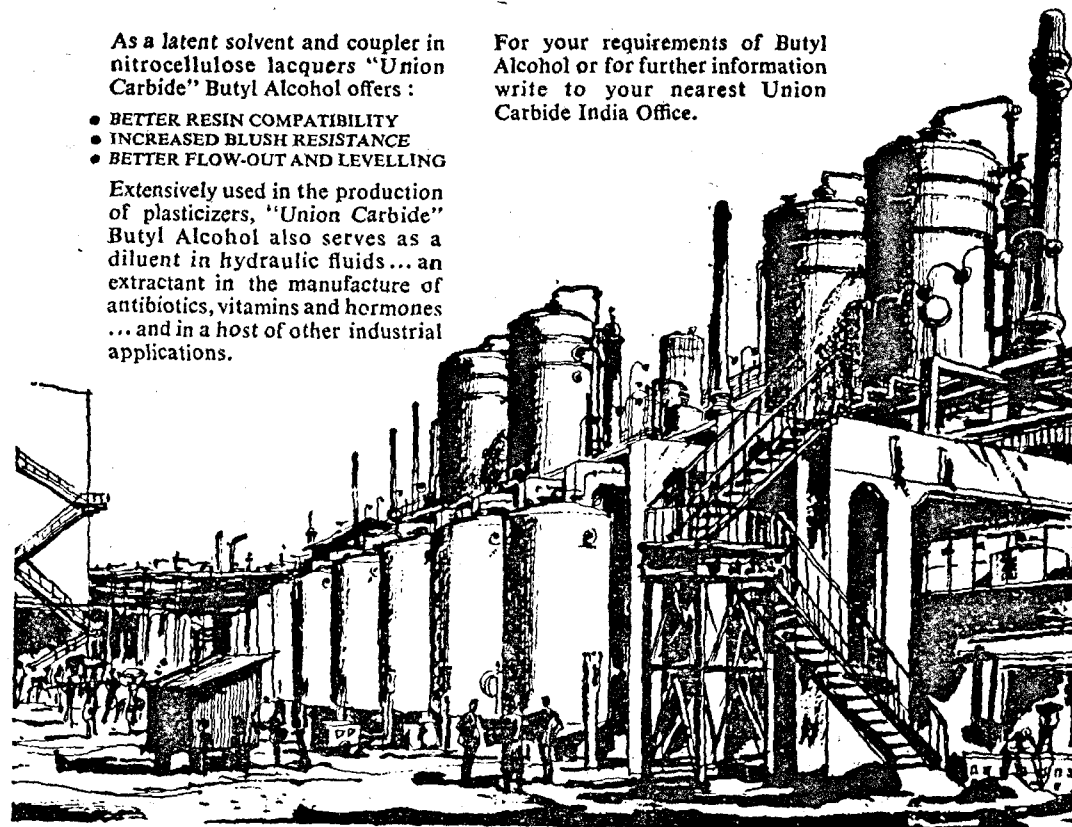
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UNION CARBIDE INDIA LIMITED

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Household Industry in 1961 Census

Statistician

The definition of household industry used in the 1961 Census is ambiguous.

As a result, the Census is likely to exaggerate the number of household industry establishments in the country.

Following from this, when the data thrown up by the Census are used to estimate national income originating in different sectors, the production of piece-rated workers in some industries is likely to be included both in the organised factory sector and in the household sector.

IN the 1961 Census, for the first time, an attempt was made to collect data relating to household industries through the Household Schedule. Household industry was defined to include only non-factory establishments engaged in "production, manufacture, processing, servicing or repairing", and not those engaged in trade, i.e. the purchase and resale of goods and commodities which undergo no intervening manufacturing process.

Household industry has been defined as an industry "conducted by the head of household himself and/or mainly by members of the household at home or within the Village in rural areas and only at home in urban areas". The essential features of a household industry, therefore, are:

- Participation of the head of the household and/or members of the household, role of hired workers from outside being of secondary importance;
- Location either at home or within the village in rural areas, while in urban areas at least the major part of the work must be located at home;
- It should not be on the scale of a registered factory.

Having defined the household industry as above, a few illustrations of household industry have been given. The following activities are to be treated as household industry. The exact instructions are as under:

"Biri-makers who either alone or with the help of members of the family roll biris at home, for wages at piece rates, while the contractor supplies the materials. Certain processes like buttoning and hand-sewing of tailored clothes, dyeing and printing of cloth, are carried out at home by members of the household both at residence and at 'place of

work' or where womenfolk of the household fill in at home with lac gold ornaments prepared at the shop by male members of the household". *Census of India, 1961, "Instructions to Enumerators,"* page 6.

Implications of Definition

Some implications of the adoption of the above concept of household industry are:

- Enumeration of all those households as household establishments the members of which are engaged in manufacturing or production activities for wages at piece-rates.
- Enumeration of all such workers as *family workers* engaged in the household industry.

It is germane to enquire: how such households, the members of which are engaged in performing work on piece-rates, can be said to be engaged in household industry, when they neither possess the basic characteristics of an establishment (single location, control and ownership) nor have command and control over resources, production processes and disposal of final products? How far it is justifiable to classify all such piece-rated workers as family workers engaged in household industries? Let us take the illustration of biri making cited in the "Instructions to Enumerators." The practices which are prevalent in this industry are as follows:

- Entrusting the work of rolling of biris *directly to workers* on piece-rates (work to be performed either in the factory premises or at home);
- Entrusting the work of rolling of biris *indirectly to workers* through the agency of contractors on piece-rates (work to be performed either in the factory premises or at home); and
- Entrusting the work of rolling biris to a contractor who may employ workers on piece-rates

for rolling biris (works to be performed either in factory premises or at home).

All these practices which are in vogue in the biri-making industry mean that production is accounted for in the organised factory sector, while the workers may or may not be accounted for in the organised sector, depending upon the terms of the contract and manner of employment of workers by the factory-owners. Under practices (i) and (ii) the relationship of a master and servant is established between the employers and workers and they would be accounted for in the organised factory sector as piece-rated workers, while under practice (iii), as they are not directly employed by the factory-owner or through a contractor, they would not be accounted for in the organised factory sector.

The results of 1961 Census would, therefore, show inflated figures for both household industry establishments and family workers. These inflated figures, the result of the definition of household industry adopted, may be regarded in many quarters indicating as the rapid progress made in the two plans in the decentralised sector. There is industrial revolution through the Census!

Risk of Duplication

Households engaged in manufacture, production or servicing, operating as required by the Census definition of household industry, would be classified as household establishments and workers engaged in such work as family workers. Now, income originating in small-scale, cottage and household industries is estimated through the method described below, as a complete Census of all these establishments is impossible.

(i) The value added per worker in small-scale, cottage and household industries is estimated through sample surveys of these industries carried

ed out in some parts of the country. Value added per worker is then multiplied by the number of workers engaged in small-scale, cottage and household industries to arrive at the net output originating in this sector.

(ii) Average earnings per worker in small-scale, cottage and household industries are estimated through sample surveys and investigations carried out in some parts of the country and after making the necessary additions for other factor payments, such as rent and royalties, interest, profit, etc and the resultant figure is multiplied by the estimated number of workers employed in these industries to arrive at income originating in this sector. (The actual methods of computation may, however, differ from region to region).

When the data thrown up by the 1961 Census are utilised to estimate the income originating in small-scale, cottage and household industries, there is bound to be some duplication inasmuch as the production of piece-rated workers would be included both in large-scale and small-scale industries. Majority of these workers would be accounted for in the organised factory sector and when they are also included in

small-scale, cottage and household industries, the figure of total employment is exaggerated.

In formulating any scheme for collecting data not only the objectives of the investigation, but the possible uses to which the data can be put should be kept in view. The user as well as the consumer of statistical data is an impatient person and has no time to go deep into the conceptual basis of the data. Many a time he uses the information, being aware of its limitations. This is the case even in government departments. The schedules and instructions for the 1961 Census were widely discussed and debated for a year and the national income experts in the Central Statistical organisation, Ministry of Finance and State Statistical Bureaus had ample opportunities to examine the schedules and instructions from the standpoint of estimating income originating in the non-factory sector. It is surprising that, in spite of such examination, debate and discussion, an important matter like the definition of household industry did not apparently receive the careful attention it deserved.

HSL Production

THE production of iron and steel in July 1961, at the three public sector steel plants was as follows:

Bhilai Steel Plant produced 83,800 tonnes of pig iron and 61,850 tonnes of steel ingots as against 78,610 and 55,727 tonnes respectively in June. Production of pig iron for sale was 34,224 tonnes as against 31,732 tonnes in June. Saleable steel production was 41,521 as against 43,091 tonnes in June. This consisted of 22,811 tonnes of finished steel and 18,710 tonnes of semi-finished products as against 21,089 and 22,002 tonnes respectively in June.

Durgapur Steel Plant produced 62,550 tonnes of pig iron and 28,421 tonnes of steel ingots as against 55,750 tonnes and 23,170 tonnes respectively in June. The production of saleable pig iron was 35,587 tonnes as against 32,781 tonnes in the previous month. Production of saleable steel amounted to 18,893 tonnes.

Rourkela Steel Plant produced 24,709 tonnes of pig iron and 19,393 tonnes of steel ingots. Production of saleable pig iron stood at 3,140 tonnes. Total saleable steel produced at the plant amounted to 3,117 tonnes.

From the Chair

The Indian Iron & Steel Company Limited

Statement by the Chairman, Sir Biren Mookerjee

THE following statement by Sir Biren Mookerjee, Chairman of the Indian Iron & Steel Company Ltd., dealing with Company's working for the year ended 31st March 1961, has been issued to shareholders. The Annual General Meeting of the Company will be held on Tuesday, the 5th September 1961, at 3 p.m. at the Royal Exchange Hall of the Bengal Chamber of Commerce & Industry, 6, Netaji Subhas Road, Calcutta-1.

Production of iron for the year at 1,160,576 tonnes and of steel ingots at 914,159 tonnes showed an improvement over the previous year and constituted a fresh record for the Company. As will be seen from the Report of your Directors, there are however no grounds for complacency for with the serious deterioration in the quality of raw materials there can under existing conditions be no possibility of achieving the output envisaged at the time the expansion of our plant was planned, and in fact serious difficulties are foreseen even in maintaining production at the 1960/61 level.

Accounts

In a consideration of the financial accounts for the year under review it should be borne in mind that the results disclosed are based on provisional steel sales realisation figures which are subject to revision according to the decision of Government on the pending enquiry by the Tariff Commission as to the steel retention prices to apply from the 1st April, 1960. To obviate hardship while the matter is under reference, Government have granted a provisional price increase as from the 1st April, 1960, but the true results for the year can naturally not be known until the final revised steel retention prices have been determined.

Nor can too much be built on any comparison of the provisional profit for the year with the profit of the previous year for previous sales figures, and in consequence previous profits, were distorted by the method adopted under the five-

year price fixation that expired at the 31st March, 1960 of compensating the limited items of cost increases for which the Company under its agreement with Government could claim adjustment. Under this method, with the exception of the increase of the steel excise duty, compensation for an increase of cost was effected not by increasing correspondingly the retention prices from the date of such increase, but by averaging the incidence of the increase over the whole five-year period with retrospective effect. The result was accordingly that while in total full compensation was effected, a part of the compensation was in fact assigned to a period before the increase in cost took place with corresponding reduction of the benefit to the subsequent period. The tendency was therefore to increase the profits of the earlier years and decrease those of the later years, the effect being of course most marked in the last year of the price fixation period, namely the year 1959-60.

It will also be appreciated that while giving a correct result in total, the effect of averaging the price increases over the five years was that the adjusted retention prices current from time to time during the period did not reflect the full amount of the cost increases, the shortfall gradually increasing over the period to a maximum in 1959/60. The new retention prices to be fixed from the 1st April 1960 must naturally include the full amount of the cost increases and from that date there must therefore on this account alone be a considerable apparent increase in the retention prices which in fact represents no additional benefit to the Company. Viewed against this background it will be seen that so far as the Company is concerned the provisional price increase granted by Government pending enquiry by the Tariff Commission represents an effective increase falling far short of the amount by which the retention prices have actually been raised. In the opinion

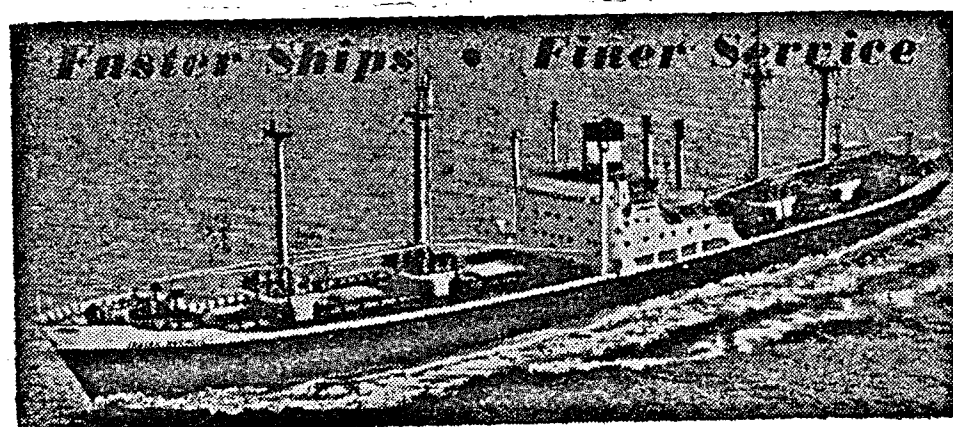
of your Directors a larger increase is warranted by the circumstances of the case and the matter will be fully represented to the Tariff Commission in the course of its enquiry.

Production Difficulties

In view of my opening remarks regarding the present impossibility of achieving the iron and steel output envisaged under our expansion programmes and the difficulties of maintaining production even at the 1960/61 level, I should perhaps explain in as simple terms as possible what in fact are these difficulties with which we have to contend.

The main difficulty is the extremely high and varying ash content in presently available metallurgical coal coupled with erratic supplies and the fact that owing to the transport position our stock of coal is diminishing so severely that unless the position rapidly improves, we shall be forced to curtail the production of iron. Even given adequate quantity of coal in total, regularity of supply and transport from the no less than twenty three different collieries over which our requirements have now been compulsorily spread is a further essential without which we are unable to blend the coal to effect some measure of consistency in working conditions. The consequence is that not only is the ash content of our coke ridiculously high but that this ash content varies widely from day to day with inevitable prejudicial effect on production. Under normal circumstances we would select our coal supplies to give the lowest ash consistent with the desired volatile content to suit the designed operation of our coke ovens. Conditions are such however that we have been forced in large measure to disregard volatile content and to concentrate on ash content, having regard to blast furnace practice. This position is most unsatisfactory as regards the operation of our coke ovens and is necessarily a cause of considerable concern on this account.

A high ash content in the coke means increased consumption of



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coke to attain the blast furnace operating temperature and in consequence a larger volume of slag produced. Since the cubic capacity of a blast furnace is constant, a larger volume of slag means in turn a reduced volume of iron produced. This high ash content makes additionally for very difficult operational conditions, and I think I may claim that in the history of blast furnace operation we have the doubtful honour of being pioneers for never before to my knowledge has such high and fluctuating ash coke been charged to blast furnaces as is at present the case at Burnpur.

The plea of our operational executives is that if the quality of raw materials must be bad, then at least let it be regularly bad, for in that case whatever the difficulties, some measure of consistency of operation could be achieved. This however, the erratic transport position effectively precludes and with the daily fluctuations it becomes impossible to produce a standard grade of iron, a position which is still further prejudiced by the present severe deterioration in the quality of limestone supplies, the percentage of free lime varying between 42% and 24%.

The tale then moves to the Melting Shop where consistency of quality of steelmaking iron is an essential for efficient working. With this consistency lacking, with some inevitable carry over of slag from the blast furnaces and with excessive impurities, in particular sulphur, in the hot metal, production difficulties become acute. Furnace time per melt is increased with consequent loss of production and operational temperature has to be increased leading to burning out of refractories and a consequent increase in the time the furnaces are out of commission for re-bricking. The excessive sulphur content of the hot metal is a source of serious difficulty in the Melting Shop practice. This perhaps could, at a price, be overcome by adoption of the expensive soda ash refining process but the position is that adequate supplies of soda ash are not locally available.

Until therefore the raw materials position improves, which I fear cannot be for some years to come, operation must perforce be carried on under extremely difficult and restrictive conditions. In fact, it would seem that before improve-

ment takes place, the position must yet further deteriorate, for there remain still three more blast furnaces to be brought into operation in the public sector plants. I view with the greatest disquiet the consequences of this impending further demand in relation to the existing shortage of coal and transport.

I would make it clear that we have abundantly proved that given working conditions in any way approaching those assumed at the time the extensions were planned, our plant as now expanded, possesses the full designed output potential. This has been conclusively demonstrated on those unfortunately rare occasions when a combination of fortuitous circumstances has enabled us to operate temporarily under reasonably normal conditions.

Export of Steel

India, at present, stands on the threshold of a golden opportunity to secure a place for herself in the world market for steel. It is now for the Government advantageously to utilise this position and thereby tap a vast source for earning the foreign exchange which is so vital to the progress of the country. I shall therefore attempt briefly to describe the difficulties to be surmounted in marketing Indian Steel even in the nearest neighbouring countries, for unless adequate measures are taken immediately there is, in my opinion, grave danger of allowing this opportunity to escape.

In most of the under-developed or developing countries there is almost a greater hunger for iron and steel, judging by the policy of their leaders, than for food and many other necessities of life. East of Suez

and in most parts of Africa, there is a vast and growing demand for iron and steel at present. India is in an enviable position to meet these requirements being basically one of the cheapest producers of iron and steel in the world, having been abundantly endowed by nature with practically all the essential raw materials and the manpower. This position is however obscured by the inflation of production costs by the large contributions which directly or indirectly are levied on the industry for the benefit of Governmental revenues.

Our iron ore resources are noted as being not only practically exhaustless but also of the highest quality. Yet for the reason I have mentioned we find ourselves in the unfortunate position of being outpriced in so far as our competitive position is concerned vis-a-vis the other exporting countries of the world except, perhaps the U.S.A. I will illustrate my remarks with facts for your information so that it may be judged how we stand in regard to export. Taking two of the common categories which India can immediately afford to export, namely, 'Light Bars' and 'Structurals', the build-up of the approximate landed cost of these materials at Karachi, Colombo or Singapore from various sources is as follows.

In this comparison Retention Prices have been used for Indian steel as these prices are realisable and reflect the minimum prices at which producers can afford to export. Additionally, remuneration has to be allowed for agents and/or producers' representatives or branch offices to cover the expenses, if they

Table No. 1

Comparison of Indian Steel Prices with Domestic Prices Abroad
Rs. Per metric ton

	U.K.	Germany	Belgium	U.S.A.	Japan	India
Light Bars	520	507	513	709	470	636
Structurals	502	515	521	686	518	645

Prices 1 to 4 are based on the (U.K.) Iron & Steel Board's Annual Report, 1960, published on 20th June 1961. Japan's price is based on Metal Bulletin, March 30, 1961.

Table No. 2

Approximate Average Freight rate to Karachi, Singapore or Colombo from the following exporting countries

1. U. K., Germany, Belgium	£4.5	= Rs. 60/- Per tonne
2. U. S. A.	\$ 20	= Rs. 96/- "
3. Japan		= Rs. 70/- "
4. India		= Rs. 60/- "

Table No. 3

Indian Steel Prices effective from April 1960
Rs. per metric ton for tested quality

	Light Bars Rs./M. Ton	Structurals Rs./M. Ton
1. Selling price to consumers at all railheads in India	636	645
2. Government surcharge including freight equalisation amount	100	126
3. Retention price allowed to Main Producers (1-2)	536	519
4. Freight including adjustment for the equalisation fund, from Works to Docks	40	40
5. Incidental charges	5	5
6. Approximate freight from Calcutta to Colombo, Singapore, Karachi	60	60
*7. Landed cost at Karachi, Colombo or Singapore	641	624
8. Rebate of Excise Duty allowed to main producers in prices for export	53	53
9. Landed cost less rebate allowed at present	588	571

* Shipping & Hoisting charges, river dues and other Port Commissioners' charges are not included.

Table No. 4

Approximate C & F prices of Steel from various countries to Colombo, Singapore or Karachi

	Rs. per metric ton					
	U.K.	Germany	Belgium	U.S.A.	Japan	India
1. Light Bars	580	567	573	805	540	641 (unrebated) 588 (rebated)
2. Structurals	562	575	581	782	588	624 (unrebated) 571 (rebated)

are to handle the business. Furthermore the retention prices quoted in the above comparisons are current provisional prices only which must be increased on finalisation due to increased cost of production and overheads. It will thus be seen that even after deducting the rebate of Excise Duty of Rs. 53/- per metric ton allowed to the exporters in India, they are not at all happily placed in comparison with the U. K., Germany, Japan and Belgium. It is therefore very important that the gravity of the situation should be realised and that suitable steps should be taken by Government to stabilize conditions to create and increase competitive power so that it will be possible and practicable for the producers of steel in India to export. We must aim to enter the export market before our competitors have time to monopolise it and it may be that the country should, if necessary, starve itself temporarily and export rather than wait for the not far distant time when surplus production is available. Opportunity may not knock at our door again in future.

Incentive for Export

The Government at present allows an export rebate of approximately

Rs. 53/- per metric ton of finished steel equivalent to the Excise Duty levied on the steel ingot. From the figures quoted above, it will be seen that even after taking advantage of the rebate so allowed by Government, the Indian producer cannot compete with the prominent steel exporting countries, namely the U. K., Japan, Belgium and Germany. To strengthen the position of the Indian producer I feel that Government should give serious consideration to the adoption of measures which will enable the producers to reduce their production cost as much as is possible under present working conditions. These measures would include improvement of transport facilities, establishing of coal washeries, stabilisation of labour costs and regularisation of supply of raw materials and fluxes—matters which I will refer to in more detail at a later stage. Further incentives might be offered by way of rebate in the railway freight, remission of certain levies and taxes imposed by the State and Central Governments and reduction in the Port Commissioners' charges. The Government Inspectorate (D.G.S. & D.) might also be required to inspect the materials for export expeditiously and at nominal

cost. The exporters should be allowed to retain any additional money they are able to realise over and above the incentives offered by the Government by virtue of their business acumen. This would enable the producers to establish and maintain their offices abroad or to appoint agents. It must be borne in mind that for every ton of steel that is exported, foreign exchange, which is needed so badly, would be earned to the extent of £40 to £45. It is not with any motive for profit that I am suggesting increase in the incentives. The effective incentives will provide a cushion against the possibility of intensified competition by our foreign rivals. I would add that since regularity of supply would be a prerequisite to the building up of an export market there should be no limitation to the export of certain categories of steel for which India has established adequate and probably surplus capacity, namely structurals and bars.

Labour

I referred last year to the persistent rise in our Works cost despite the increase in our production. Much of this increased cost is due to the severe Governmental revenue imposts inflicted on industry in the shape of excise duties, increased customs duties, cesses, sales tax and the like, which either directly, as in the case of the steel excise duty, or indirectly by their effect on the delivered cost of goods, enter into our cost of production. Outside these items however, perhaps the most serious single factor is the persistent and inflationary rise in labour costs which again reflects directly or indirectly on our cost of production.

Labour in the Indian steel industry is better off by and large than similar labour employed in other industries in the private sector and in all industries in the public sector. As I pointed out in my Statement last year, we in India suffer from a malignant disease which thwarts our efforts even for the stabilisation, much less the reduction, of labour costs, namely the system of automatic annual increments as opposed to an assigned pay for each job, and of enforced increases in the rates of wages, allowances and incentive bonus. It must be remembered that any increase in basic wages is not confined to the amount of such increase for the effect snowballs by

reason of consequential increase in overtime incentive bonus, Provident Fund bonus, retiring gratuity, State Insurance contributions etc. If the Government fails to stabilise labour costs at this juncture, it will perhaps be impossible for the country even to be in a position to export any sizable quantity of steel.

Coupled with and directly bearing on the pay to be assigned to a job is the question of manning. In our own case we are at present compelled to employ at least twice as many men as are necessary having regard to the almost complete mechanisation of our plant, and to keep them in employment irrespective of our needs or of our costs.

I would make it clear that I do not for one moment suggest the imposition of a ceiling on the income of any workman. What I do suggest however is in effect a ceiling on the labour cost per ton of output, which is a vastly different matter. If industry is to continue to suffer from over-manning and low productive effort, then wages cannot be increased without inflation and loss of competitive power in world markets. Given the opportunity the Indian workman can hold his own with the workman of any other country and with reasonable manning and a link of wages with production, there is scope for very great improvement in individual earning power. Without this link however, chaos only can result and yet it would appear that this essential has up to now been overlooked and that industrial labour which forms only a fractional part of the population of the country has been singled out for the conferment on it of benefit after benefit irrespective of productive effort or economic manning.

Transport

The present shortage of transport is one of the most serious causes standing in the way of achievement of the planned targets for industry, impairing productive efficiency and raising all production costs. It is the primary duty of Government to develop as expeditiously as possible the availability of transport. Heavy industries, particularly the iron and steel industry, have to follow a continuous process of manufacture. Any shortage, interruption, irregularity or disorder in the transportation and delivery to the Works of the necessary materials in proper sequence

leads to heavy loss of production. It is our bitter experience that raw materials are not received at the Works to our scheduled programme because of the shortage of railway rolling stock. Deficit of wagon placements builds up and is corrected by a sudden inflow congesting the internal traffic arrangements of the Works and taxing our unloading facilities to the utmost. The position is at all times aggravated by the number of wagons of unsuitable type that are allotted. Although our mechanised coal handling plant was, with the concurrence of the Railway Board, laid down on the understanding that at least 90% of our coal supplies would be in open 4-wheeler wagons, we now receive approximately 50% only in open wagons and the balance in covered wagons, with the result that our mechanised equipment stands partly idle and we have to revert to the outdated method of handling coal by manual labour. By giving us more covered wagons than we can handle each day, the Railways create periodic congestion in the Exchange Yard and advantage is at times taken of this congestion as an excuse to apply a cut on further allotments. It is clear that there is a very grave shortage of open wagons in the transport system.

Similarly, when iron ore should be brought in BOBS wagons we are forced to accept BOX wagons which disrupts the internal handling and transport arrangements in our Works and increases our cost of handling. BOBS wagons were designed for bringing iron ore to our Works and our mechanical handling equipment in turn was, again with the approval of the Railway Board, designed to handle these wagons only. There are instances when only 60% of our requirements of BOBS wagons have been met in a month and we have had manually to unload and load to and from stock extremely heavy quantities of iron ore, putting a tremendous strain on our labour resources. It is essential that immediate steps be taken by the Railways to increase the number of BOBS wagons in service.

The railway staff have a very difficult task to perform and I willingly acknowledge that they have been doing their best to endeavour that supplies to the steel works do not suffer. But what can they do when the wagons are physically not there? Pressure on carrying capa-

city is so great that it appears that in an endeavour to meet requirements large numbers of condemned wagons are being retained in service for we ourselves receive many with mechanical defects and in a bad general state of repair, with the result that either we are unable to utilise these wagons for outward traffic or can only so utilise them after effecting emergency repairs ourselves.

It is for Government to take suitable and immediate measures to make good the shortage of wagons in general and in particular of wagons of the right type for the steel industry. In this connection I understand that some of the wagon manufacturing concerns are working only to 40% of their capacity due to shortage of matching steel and some bought out steel castings such as axle boxes. This is a position which in the national interest should obviously be corrected so that the indigenous wagon building capacity may be utilised to the fullest extent to meet the emergency.

The magnitude of the transport problem can be easily visualised in so far as the iron and steel industry is concerned, if it is kept in mind that under present day conditions the total quantity of raw materials to be transported to each works in order to produce one ton of ingot steel is in the neighbourhood of 5 tons. Taking six million tons of ingots as the estimated present installed annual production capacity of the main producers, this means that 30 million tons of raw materials are to be transported annually to their works. To this must be added the transport requirement for the production of 1 million tons of foundry iron, say an additional five million tons of raw materials per annum. In addition there will be about 4.5 million tons of semi and finished steel together with 1 million tons of pig iron to distribute all over the country. I have not taken into account the transport required for movement of food grains and other consumable items and stores, bricks, cement and sand which are all essential for those persons dwelling in the surroundings of the steel works who constitute a large and fast growing population.

Coal

So many complaints have been made by the consumers of coal and

THE ECONOMIC WEEKLY

so many unfulfilled promises have been made by the Government to meet such complaints that it is not necessary for me now to repeat them in this Statement. All I say is that before launching on such a vast scale development of the iron and steel industry and the inclusion of some State cokeries, steps should have been taken to see that sufficient coking coal would be available to meet the requirements of these plants.

Simultaneously with the shortage of the quantity of coal there has also been a continuous deterioration in its quality, the ash content sometimes reaching as high as 27%. This has on the one hand considerably increased the cost of iron by larger consumption of the consequently inferior coke per ton of iron, and on the other has retarded the productivity of the Blast Furnaces and thereby reduced the available productive capacity of iron and steel in this country.

I gratefully acknowledge the assistance that has at all times been afforded by the Coal Controller who has been doing his utmost to help the industry in the face of a series of adverse circumstances over which he has but little control. The inadequate supply of wagons to the Collieries by the Railways, the Collieries not supplying the proper grade of coal they are expected to, the inadequacy of sufficient washed coal to meet the requirements of the Steel Works, are some of the problems which confront the industry. A further review by Government of these problems and also of the over-all development of the coal resources of the country is essential if the Steel Works both now and under the Third Five Year Plan are to have normal facilities to enable them to achieve their planned production capacities.

In this connection, I have to emphasize that there has been a lamentable delay in the provision of the coal washeries so necessary for reducing the quantity of ash and otherwise improving the quality of coking coal. We ourselves are particularly adversely placed in regard to supply of washed coal as the washed coal received by us at present constitutes only 7% of our total requirements of coking coal, whereas, it is understood, the pro-

grammed figures for other producers are as follows:—

TISCO	55% of total requirement of coking coal
Durgapur	37%
Rourkela	37%
Bhilai	34%

The programmed quantity in our case is only 10% compared to the other Steel Works. By and large, even the unwashed coal received by the other Steel Works is by fortuitous circumstances of a better quality than that which we receive despite the co-operative assistance of the Coal Controller. The importance of establishing additional washeries of adequate capacity cannot, therefore, be over-emphasized.

Fluxing Materials

It is regrettable that competition has recently developed for supplies of limestone for fluxing purposes brought about by the lack of planning on the part of the Public Sector Steel Plants which has created a position of scarcity for this material. Due to these circumstances even inferior grade material with a high percentage of insolubles, which normally would not have been acceptable by the Steel Works, has perforce had to be consumed. Difficulties are intensified partly due to the Railways not providing adequate transport to the regular suppliers and partly because of the indifferent attitude of the suppliers to meet their commitments. There are ample reserves of good quality fluxing materials in India though away from present railheads and if steps

had been taken by the Government to develop these sources and instal the necessary transport facilities the position would not have deteriorated to the present extent. Recently, there was a case in which the Public Sector entered into competition with the Private Sector for the purchase of limestone and agreed to pay a price much higher than that being paid by the Private Sector. This naturally resulted in the producers of limestone asking the latter for a corresponding increase. Unthoughtful actions of this nature on the part of the Public Sector can lead only to a spiralling of prices of raw materials and intensification of inflationary trends.

Acknowledgments

In conclusion I would express on behalf of your Directors our appreciation of the services rendered by the General Manager, Mr. J. McCracken, and his executive staff throughout the year. The production achieved in the face of the constant operational difficulties I have outlined is itself testimony to these services, and while it is perhaps invidious to make distinction where so much depends on team-work I feel I should make special mention of the Blast Furnace and Steel Melting Shop supervisory staff who have so ably faced up to the problems with which they have been, and continue to be, confronted in the maintenance of production under existing conditions.

The above statement is not a document purporting to be a report of the proceedings of the Annual General Meeting.

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4½ Per Cent**State Government Loans 1972**

NAME OF STATE	AMOUNT	ISSUE PRICE PER CENT
1) Andhra Pradesh	Rs. 10 crores	Rs. 99.75
2) Bihar	Rs. 3 crores	Rs. 99.50
3) Gujarat	Rs. 6 crores	Rs. 100.00
4) Kerala	Rs. 4 crores	Rs. 99.50
5) Madhya Pradesh	Rs. 5 crores	Rs. 99.50
6) Madras	Rs. 10 crores	Rs. 99.75
7) Maharashtra	Rs. 10 crores	Rs. 100.00
8) Mysore	Rs. 7 crores	Rs. 99.75
9) Orissa	Rs. 5 crores	Rs. 99.50
10) Punjab	Rs. 3 crores	Rs. 99.50
11) Rajasthan	Rs. 4 crores	Rs. 99.50
12) Uttar Pradesh	Rs. 6 crores	Rs. 99.75
13) West Bengal	Rs. 7 crores	Rs. 99.75

All the State Governments reserve the right to retain subscriptions upto ten per cent in excess of the notified amount.

All the above loans will be repaid at par on 4th September 1972.

The Loans will open for subscription on 4th September 1961 and close on 9th September 1961 or earlier without notice as soon as subscriptions approximate to the amount of each issue.

All the loans will bear interest from 4th September 1961.

Subscriptions may be in the form of CASH/CHEQUE in respect of all the loans.

Securities of 3% Tapi Irrigation Development Loan 1961 and 3½% Cochin Loan 1956-61 will be accepted AT PAR for conversion into the new loans of the Governments of Maharashtra and Kerala respectively. Securities of Mysore Government 3% Loan 1956-61, Madras Government 2½% Loan 1961 and 2½% Uttar Pradesh Loan 1961 will also be accepted for conversion AT PAR into the new loans of the respective State Governments.

Interest due on the securities of the loans tendered for conversion will be paid as under :

Name of Loan	Rate of Interest per cent. per annum.
1) 3% Tapi Irrigation Development Loan 1961.	@ 3% upto and including 30th April 1961 and @ 4½% from 1st May 1961 upto 3rd September 1961 inclusive.
2) 3½% Cochin Loan 1956-61.	@ 3½% upto and including 31st May 1961 and @ 4½% from 1st June 1961 to 3rd September 1961 inclusive.
3) Mysore Government 3% Loan 1956-61.	@ 3% upto and including 19th April 1961 and @ 4½% from 20th April 1961 to 3rd September 1961 inclusive.
4) Madras Government 2½% Loan 1961.	@ 2½% upto and including 31st August 1961 and @ 4½% from 1st September 1961 to 3rd September 1961 inclusive.
5) 2½% Uttar Pradesh Loan 1961.	

Applications for all the Loans will be received at the offices of the Reserve Bank of India at Bangalore, Bombay, Calcutta, Madras and New Delhi.

Applications will also be received at places within the respective States as follows :—

(i) At the office of the Reserve Bank of India at Nagpur in the case of Maharashtra Loan.

(ii) At the branches of the State Bank of India and at treasuries and sub-treasuries in the case of Andhra Pradesh, Bihar, Gujarat, Kerala, Madhya Pradesh, Madras, Maharashtra, Orissa, Punjab, Rajasthan and Uttar Pradesh loans.

(iii) At the branches of the State Bank of India in the case of West Bengal loan.

(iv) At the branches and treasury pay offices of the State Bank of Hyderabad in the case of Andhra Pradesh and Maharashtra State Loans.

(v) At the branches and treasury pay offices of the State Bank of Mysore (except at Bangalore, Mangalore and Gulbarga), the State Bank of India, the State Bank of Hyderabad and at Government Taluk treasuries in Mysore State in the case of Mysore State Loan.

(vi) In the case of Gujarat Loan the State Bank of Saurashtra at Bhavnagar and its branches in the State of Gujarat will collect applications and forward them to the nearest receiving office.

Copies of Notifications and Application Forms may be obtained at any Receiving Office.

Applicants tendering their applications at the offices of the Reserve Bank of India at Bangalore, Bombay, Calcutta, Madras and New Delhi will, in the event of over-subscription to the loan applied for, be given the option of transferring their cash refunds to any of the other State Government loans which may not be fully subscribed by that time. To avail of this facility, the persons tendering their applications should complete the SPECIAL OPTION FORM copies of which are available on application from any of the abovementioned offices of the Reserve Bank of India.

Dalal Street at New Low

August 19, 1961

22 AUG 1961

PUBLIC DEPARTMENT

Thursday, Morning

DALAL STREET is unsettled again. The preceding week's rally, which seemed to hold out the promise of a possible resumption of the major bull phase, proved to be a short-lived affair. Equities last week suffered a renewed sharp decline and in a matter of few days many popular scrips covered their normal full month's range. Telco fell from Rs 369.50 to Rs 339, National Rayon from Rs 547.50 to Rs 525, Indian Iron from Rs 26.30 to Rs 25.30, Tata Steel from Rs 155.75 to Rs 151, Voltas from Rs 295 to Rs 281, Bombay Burmah from Rs 606 to Rs 582, Hindustan Motors from Rs 21.44 to Rs 20.28, Scindia from Rs 13.92 to Rs 13.20 and Premier Construction from Rs 193.50 to Rs 183. Several counters hit new low levels in the downward trend which has been in progress since about the second week of June. On 14th August, Vyapar's equity share index made a low of 138.09 which is slightly below the April bottom of 138.36. Over the week, the index showed a net loss of 2.86 at 138.71.

There was little in the week's news to explain last week's panicky decline in equity prices. Many attributed it to the deterioration in the Berlin situation. Some anxiety was also expressed over the Akali leader, Master Tara Singh's fast unto death to achieve a separate Punjabi Suba. But the real explanation for the turn in sentiment lay in the mood of the market. The market which had failed to derive any cheer from the chairman's encouraging observations about Telco's future because of the company's huge expansion programme which will raise the annual production of automobiles from 12,000 to 24,000 vehicles within 3-1/2 years with an indigenous content of 90 per cent, reacted sharply to report of a minor stoppage of work at the company's works on 16th August resulting from an insignificant dispute. Indian Iron's encouraging results had failed to impress but the market felt very uneasy over Sir Biren Mookerjee's statement to the shareholders that inflated production costs will seriously affect the compe-

titive position of Indian steel in world market even though the prospect of large-scale exports does not arise in the near future because of the growing internal demand.

Much had been heard over the past few months about the likely legislation to curb speculative activity on the stock exchange. The proposal is said to have been shelved for the time being. But this has brought no cheer to the market. In May, bulls had overdone the rise. It seems to be the other way round now; bears seem to be overdoing the decline. How long the bears will be able to maintain their hold on the market, is difficult to say. Not for long perhaps.

Cotton**Bengal Deshi Prices Slump**

DESPITE the sale of nearly 23,500 bales out of the recent export quota for 30,000 bales, of which the shippers' share is 28,500 bales, the prices of Bengal Deshi cotton have suffered a steep decline of Rs 150 to Rs 175 per candy (784 lbs). Ganganagar Deshi superfine which was quoted around Rs 825 on 27th July, when the export quota was announced, is now available around Rs 670. This indicates that the bulk of the export sales has been in the nature of 'distress' selling. Business has been put through not because it is remunerative but because shippers stand to lose less by selling abroad than by disposing of their goods inside the country. While the export quota for Bengal Deshi is likely to get exhausted within a few days, hardly 3,000 bales are stated to have been sold out of the quota for cotton stapling 3/4 inch and below other than Bengal Deshi. Some of the shippers have represented to the East India Cotton Association to ask the authorities to allow the export of Bengal Deshi under the quota for 3/4 inch cotton. Since there still exists a substantial exportable surplus of Deshi and the outlook for the new Deshi crop is distinctly encouraging, the Government will not be running any risk if it were to accept the trade's plea for exporting Bengal Deshi under the 30,000-bale export quota for cotton stapling 3/4

inch and below. Apart from the fact that this will earn the much needed foreign exchange for the country, it will also help stabilise the prices of Deshi cotton. The trade reported some revival of business with Japan and it expects to sell substantial quantities to the Continent because of the resumption of work by factories there after a fortnight's holiday. The E I C A has already requested the authorities to extend the shipment period for the export quota by a month up to the end of September. Technical difficulties should not be allowed to stand in the way of the country's export effort. Pakistan, it might be noted, has reduced the export duty on Deshi cotton by Rs 15 per bale from Rs 40 to Rs 25 which brings it to par with the export duty in India.

Spurt in August

The spot cotton market is having its usual seasonal dullness. By and large, mills are carrying fairly heavy stocks; only the weaker units which live on a hand-to-mouth basis figure as buyers from time to time. In view of the large carryover and the outlook for the new crop by no means unencouraging, buyers remain cautious. The volume of business in futures too has been on a restricted scale. The new crop March contract has been fluctuating between Rs 587.75 and Rs 592.50 since about the last week of July. Last week it was done down to Rs 585 but rallied quickly to Rs 591.75. Later it eased to Rs 587.50 before finishing the week at Rs 589.25. Anxiety over the excessive rains in certain producing areas, especially Berar and Khandesh, induced among bears but bulls were reluctant to be aggressive in face of the large carryover and prospects of a satisfactory crop in the 1961-62 season, which, however, will depend on the progress of the monsoon. But while the new crop contract moved quite irregularly in a narrow range and showed a rise of barely Rs 2 over the week, the maturing August contract shot up from Rs 568 to 585 due to short covering caused by poor tenders and strict survey results. Only 700 bales have been tendered against this



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contract so far and of these also 150 bales of Laxmi A have been rejected.

Oilseeds

Small Rally in Prices

AFTER further early weakness oilseeds futures developed a hardening tendency on short covering and some bargain hunting and Wednesday's closing prices, though well below the week's best, showed all-round gains over the previous week-end levels. Groundnut January which had been marked down to a new low of Rs 214.25 (per 250 kgs) recovered to Rs 218.37 but eased again to Rs 216.62. After easing from Rs 169.87 to Rs 169.25 castor March rallied to Rs 171.62, reacted to Rs 170 but recovered to Rs 171.37 before closing at Rs 170.75. Linseed March were sold down to Rs 36.87, a new low for the contract, but recovered to Rs 37.81 before finishing at Rs 37.56 (per 50 kgs). Cottonseed March hovered around Rs 91.50 in a narrow range. The nearby contracts also recorded moderate gains over the week, with castor September up from Rs 168.62 to Rs 170.37 and linseed September from Rs 38.19 to Rs 39.56.

Last week's recovery was caused essentially by technical considerations. The preceding decline had been steep enough to induce bear covering and some scattered support. Whether reports continued to be quite encouraging and the export performance was far from exciting. That is why the market was unable to attract any follow-up support on the rally. Prospects of a substantially larger groundnut crop have induced a distinctly easy tendency in the spot material despite a poor carryover. Buyers are inclined to keep off the market while stockholders seem anxious to dispose of their goods. But while groundnut and groundnut oil prices have continued to display an easier tendency, oilcake prices have been fairly steady due to sustained overseas demand. Export houses reported fairly good business in groundnut extractions and prices realised last week were about 10 shillings a ton better than in the preceding week. The UK which figured as the chief buyer was said to have paid between £31.5 and £31.12½ per ton for August shipment. With soyabean meal, quoted around £39.15 per

ton, August-September shipment, and about £3 lower for new crop position, exporters seem quite optimistic about selling groundnut extractions. But groundnut extractions can hardly make up the loss of business in oils and other oilcakes. Export business put through last week in castor oil, linseed cake and cottonseed cake did not add up to more than a few hundred tons and there seems little chance of any marked revival of business in these items. Indian oils and oilcakes are unable to compete in world markets and business with the UK is also likely to suffer if Britain joins the European Common Market.

The Export Problem

In his presidential speech at the recent ninth annual general meeting of the Central Organisation for Oil Industry and Trade, Shri Ratilal M Gandhi said that if the UK joined the European Common Market, India was likely to be placed against other producers enjoying special advantages of untapped resources, protective tariffs, subsidy, devaluation and operational efficiency. Shri Gandhi also referred to the deferred rebate system, which, he said, should be abolished either by persuasion or even by suitable legislation by the Government. Regular shipping freight facilities at reasonable and competitive rates on a long range and stable basis are essential prerequisites for the smooth functioning of the export trade. But neither the deferred rebate system nor the possible entry of the UK in the European Common Market is the main problem that is facing the oilseeds export trade. The basic problem is one of prices. Domestic influences tend to keep internal prices substantially above world parity. Production of oilseeds is unable to keep pace with growing internal demand. The production performance during the second Plan has been far from encouraging and it is doubtful whether the third Plan target of 9.5 million tons of oilseeds will be achieved. And even if it were to be achieved it might not leave any substantial exportable surplus. Increased production alone can help keep prices down and also create exportable surpluses. Export promotion measures cannot yield big results when exportable surpluses simply do not exist. Shri Gandhi criticised the compounded levy of excise duty and suggested that compulsory com-

pounded levy for all power driven oil mills was probably the best solution of the problem.

Bullion

Firm Tendency in Gold

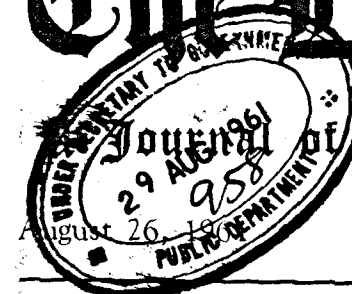
BULLION futures made a mixed showing last week. While gold displayed remarkable strength, silver fluctuated erratically with a barely steady tone. Gold Bhadrava which had risen from Rs 119.80 to Rs 121.65 over the previous fortnight advanced further to Rs 123.30 last week. Improvement was attributed to heavy short covering and renewed bull support induced partly by satisfactory spot demand and partly by reports of seizure of large quantities of contraband gold. Despite satisfactory off-take, the discount on the spot material increased from 20 nP to 40 nP per 10 grams. While gold Bhadrava recorded a net rise of Rs 1.50 over the week at Rs 123.15, silver Bhadrava showed a net loss of 10 nP at Rs 203.15 per kg. After being bid up to 203.60, silver moved irregularly lower to Rs 202.45 but rallied again to Rs 203.25 and wound up the week a little lower at Rs 203.15. Off-take was not poor but upcountry advices indicated some improvement in arrivals of 'kutcha' metal. The discount on spot silver, however, recorded a further fall from a rupee to 60 nP per kg.

Czech Second Plan

LIVING standards in Czechoslovakia rose markedly during the Second Five-Year Plan (1956-60). In the First Five-Year Plan, overall consumption increased by 26.4 per cent and in the Second, the rise was 34 per cent. The per capita consumption of textiles rose from 29.7 metres in 1955 to 35.6 metres in 1960. Consumption of shoes increased from 3.34 pairs in 1955 to 4.1 pairs in 1960. At the same time, prices of textiles were reduced by 13.4 per cent.

New buildings and renovations during the Second Plan, produced a total of 324,583 flats, 148,138 more than in the First Plan. Living space per person also showed an increase. While in 1948 there was one refrigerator per 353 inhabitants, in 1955 the figure was one to 120 persons and in 1960 one to only 30. The sales of household furniture increased by 148 per cent.

The Economic Weekly



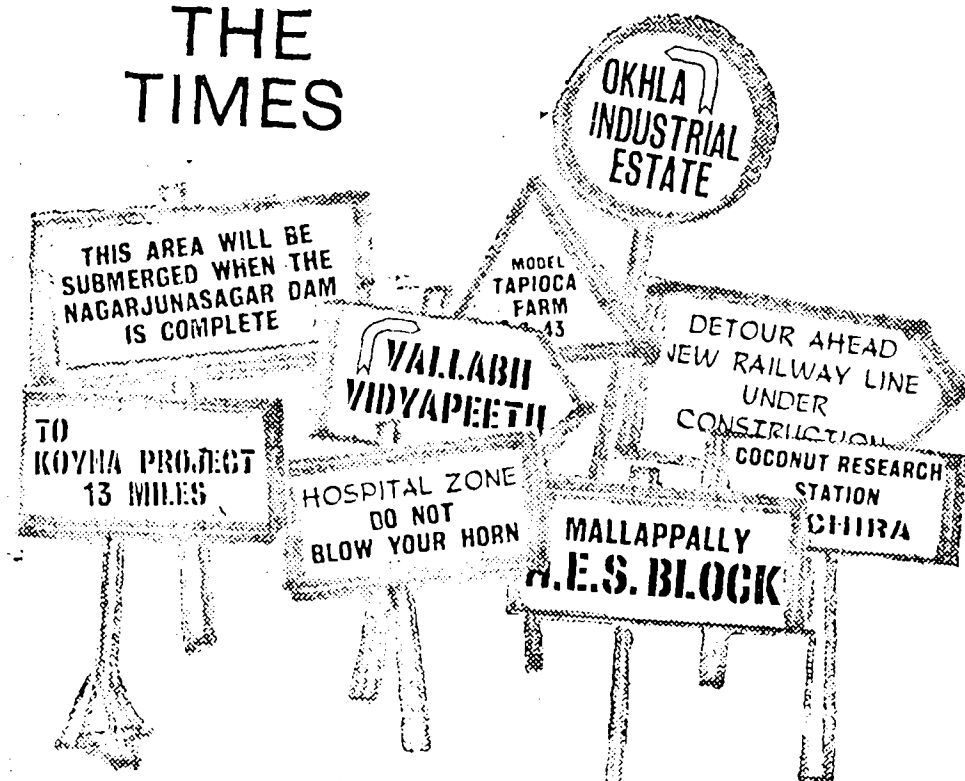
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Printed by A Fernandes at New Jack Printing Works Private Ltd., Globe Mills Passage, off Delisle Road, Bombay 13, and published by him for Asian New Age Publishers Private Limited from 65, Apollo Street, Fort, Bombay 1. Editor: SACHIN CHAUDHURY

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Better Coal for More Steel

ON steel, Sir Biren Mookerji, Chairman of the Indian Iron & Steel Company, is a person to be listened to with great respect. Few in the country know the technology and economics of steel as intimately as he does, and fewer still can speak on these matters with such vigour and clarity. He has, to be sure, pet schemes and pet aversions like all specialists. But these do not prevent him from posing convincingly the basic problems that face the steel industry in India, though they colour the solutions that he offers for them. For these reasons, his statement to the shareholders of the IISCO, published last week, constitutes a document of major importance. He has concentrated on demonstrating that the fortunes of the steel industry depend not so much on what the industry itself does as on what the country does in the fields of coal, transport and labour policy. He has an important aside on the export potentialities of the steel industry: this is, in effect, a variation on his major theme of reduction of costs and improvement of technical efficiency.

Basing himself on the experience of IISCO last year, Sir Biren has brought out the many elements which at present impede efficient utilisation of steel capacity. It has been widely recognised that if there is one thing that has bedevilled the operations of steel plants in both the public and private sectors, it is the uncertainty connected with coal supplies. This is a matter not only of making more coal available to the steel industry but of ensuring that the coal supplied is of the right quality. Much the most serious difficulty experienced by steel plants is that of adjusting their operations to variations in the quality and quantity of coking coal at their disposal. The effects that a small increase in, for instance, the ash content of metallurgical coal can have on costs of production are so serious that it would be fatal to put off finding the proper remedy for this difficulty. Production costs of steel mount up because the larger ash content necessitates the charging of more coal into blast furnaces to attain operating temperatures. In addition, as Sir Biren has pointed out, with low-grade coal fed into the furnaces, the quantity of iron produced at each tap is less than would otherwise be possible, on account of larger slag accumulations. When deficiencies in the quality of coal combine with impurities in limestone and other raw materials, increase in the furnace time per melt as well as frequent stoppages for re-bricking also lead to diminishing output. Quite obviously all of these are compounded by wide fluctuations in the quality of coke, limestone, etc. If we are to have had coal or limestone, observes Sir Biren with a touch of bitterness, let them at least be uniformly bad!

When we look at Third Plan programmes for the steel and coal industry, the full measure of these problems becomes clearer. It is anticipated that, over the Third Five Year Plan period, the total production of finished steel would be of the order of 24 million tons. Of this, the fourth steel plant to be set up at Bokaro will, if plans for erecting it work out without a hitch, produce no more than 0.3 million tons — and that, too, in the last year of the Plan. The attainment

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of the steel target depends, in other words, on the existing steel plants in the public and private sectors operating to full capacity at the same time as they carry out the expansion programmes envisaged for them. Clearly, if raw material supplies to the steel mills continue to be as erratic as they are at present, we shall have to give up all hopes of attaining an annual production of finished steel of 6.8 million tons by 1965-66. The fact that the crux of the problem is the utilisation of built-up capacity makes the future programme more and not less arduous than in the Second Plan period.

Quite obviously, the fortunes of the steel industry depend very much on what we do in the matter of coal and transport facilities for steel mills. But this is not just a matter of raising more coal as has been recognised in the Third Plan. The unfortunate part of it is that the bulk of additional coal output expected to become available in the next five years will be of the low-grade non-metallurgical type. At the end of the Third Plan period less than 10 million tons of the planned addition of 38 million tons will be in the form of coking coal. Given this prospect, it is obvious that the steel industry will always have the problem of high ash content in coal to contend with. Consequently, it is all the more important that immediate attention should be given to ways and means of minimising the diseconomies attendant upon using low-quality coal in the iron and steel industry.

One hopes that Government and the National Coal Development Corporation will view this problem in all its ramifications. There is now no excuse left for complacency or laxity in the matter of production and distribution of coal. The Federation of Indian Chambers of Commerce has further emphasised the gravity of the position in respect of coal supplies to industrial consumers in general. To meet this situation, it is vital not only to make arrangements for sinking additional pits and installing sufficient coal-washeries with maximum speed, but also to overcome many obstacles to an efficient distribution of available supplies. Drawing on the experience of IISCO, Sir Biren observes: "Even given adequate quantity of

coal in total, regularity of supply and transport from the no less than 23 different collieries, over which our requirements have now been compulsorily spread, is a further essential, without which we are unable to blend the coal to effect some measure of consistency in working conditions. The consequence is that not only is the ash content of our coke ridiculously high but that this ash content varies widely from day to day with inevitable prejudicial effect on production." Surely, this problem of logistics ought to lend itself to early solution. But it will not be solved if the fact of allocation of coal-mining in a certain proportion between the public and private sectors interferes with the working out of a planned distribution of coal in the aggregate, no matter who owns the pit from which this or

that portion of it comes. There is little evidence that this aspect of the coal problem has been given the consideration that it deserves.

Sir Biren has also referred in his statement to factors other than coal which neutralise the advantages derived from the unusually rich endowment of the iron ores that we have. He has, as in the previous years, gone hammer and tongs at the system of automatic annual increments to labour which, in his view, makes it impossible to stabilise labour costs at the levels warranted by productivity considerations. He has also bitter comment to make on the surplus of labour that has to be maintained despite increasing mechanisation of plant operations. Whatever the merits of Sir Biren's case, there is no gain-saying the fact that the opportuni-

ties for rationalisation in the matter of wage costs have not all been grasped for one reason or another. These elements, having an adverse effect on the costs of production of iron and steel in the country, can, if they persist, make nonsense of a large part of the industrial programmes envisaged for the next five years.

A word finally about Sir Biren's plea for stimulating exports of iron and steel. Faced as we are with an acute shortage of foreign exchange, there is undoubtedly a strong case for exporting any surplus of steel and steel products that we may have. But as has often been observed in these columns, every technical study

of demand that has been carried out so far indicates the possibility of a continuing shortage of steel. Sir Biren, however, thinks otherwise and believes that we have surplus capacity in respect of light bars and structurals. True enough, though steel may be short in the aggregate, certain types of steel products might be in excess supply. In such cases, the argument for finding an export market for the excess supply is undoubtedly strong. But it is essential to remember in this context that a temporary excess of supplies in particular varieties of steel may only be a reflection of delay in enhancing or utilising capacity in subsequent processes or industries. This

apart, it is patent that the main fillip to exports of steel and steel products has to come from just those measures which are necessary for ensuring full and efficient operation of the steel plants. Should they be implemented, the competitive position of Indian steel will be greatly strengthened even without a further rebate of tax. It is well to remember that in the general context of development, taxation is not to be viewed as just a burden; it is often the essential price to be paid for strengthening those forward and backward linkages that greatly enlarge the scope for all productive activities—steel industry included—in modern society.

Setback to U S Aid Programme

LITTLE of the 'frontier' spirit was in evidence in the U S Congress in the past few months as it considered, and took decisions on, the Administration's requests for appropriations under various heads. It is a fair commentary on the mood of the legislators that, except on defence and space, they shared little of President Kennedy's sense of urgency. The Foreign Aid Bill, as finally approved by the Senate and the House last week, is a caricature of the new-look aid programme which the President had submitted to the Congress in March last.

President Kennedy had asked for a total of \$ 4.8 billion for foreign aid, including military assistance in 1961-62. Economic assistance, with a much greater proportion of it earmarked for development loans, a small increase in development grants and a reduction in the so-called 'sustaining grants', was to total \$ 2.4 billion. Of this, \$ 1.5 billion was to be made available through usual appropriations to finance parts of the aid programme not suitable for dollar development loans, such as grants for education and social welfare programmes, the peace corps and sustaining aid. A sum of \$ 900 million had been earmarked for long-term, low-interest development loans. This was part of a total of \$ 7.3 billion, to be authorised by the Congress for a period of five years, \$ 900 million in 1961-62 and \$ 1.6 billion in each of the succeeding four years, to be financed through direct borrowing from the Treasury. This would have enabled

the Administration to make long-term aid commitments instead of having to go to the Congress each year to get the programmes approved.

President Kennedy was not spoiling for a fight with the Congress over foreign aid. His plan was skilfully sugar-coated with the promise to 'tie' 80 per cent of the long-term loans to purchases of U S goods and to reduce the leakage of 'untied' loans by imposing more stringent requirements on the aid-receiving countries. In his message on foreign aid, the President had reminded the Congress that 'cut-backs in the programme would be felt not only in loss of economic progress and hope abroad, but in loss of markets and income for business, labour and agriculture at home'. And the hope was held out to the U S tax payer that America's Atlantic allies would foot more and more of the foreign aid bill in future.

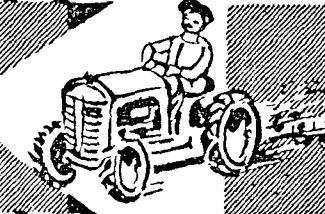
The baits were tempting, but the Congress refused to bite. Its deep suspicion of any move which might, even slightly or potentially, deprive it of its control over the Administration's spending, its distaste for the idea of comprehensive planning in place of loans tied to specific projects which could be reviewed and controlled and its unwillingness to make forward commitments for uncertain purposes have all made it nip the idea of long-term appropriations for development assistance in the bud. The House, even more reluctant than the Senate to surrender its control over

the purse, has deleted the provision for long-term appropriations completely; and the Senate, while formally retaining the provision, has incorporated into the Bill an equally crippling amendment. It requires the Administration to submit all proposed loans of over \$ 5 million for approval to the foreign aid and appropriation committees of both houses. These committees would have the right to recommend to the Congress that the Administration's authority to make any particular loan be cancelled. Now, a five million dollar loan is about the minimum ever likely to be made for development assistance; so, by this amendment, the Senate has substantially achieved what the House has done by denying outright the long-term borrowing authority which the Administration sought.

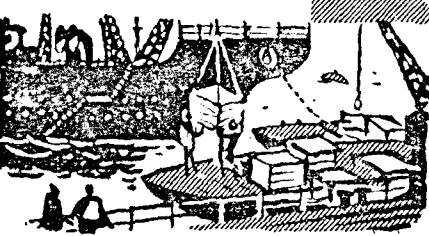
President Kennedy's foreign aid programme hinged on this authority, and now that it has been refused by the Congress, what happens to the hopes built around the programme? What will be the impact of the Congress's action on America's allies whom Kennedy has been exhorting to shoulder a greater share of the burden of international assistance? In his message to the Congress, he had reminded Americans that 'the eyes of other industrialised nations, awaiting our leadership for a stronger united effort' were on them. Will this effort be forthcoming with the same vigour now that President Kennedy's own aid programme has received a serious setback?



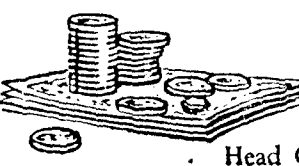
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Weekly Notes

Yen Credit

THE signing of the agreement between Japan and India, making available to this country yen credit amounting to 80 million dollars (over Rs 38 crores) for the first two years of the Third Five-Year Plan, marks an important phase in the development of cordial economic relations between the two countries. The loan is a part of the aid promised by Japan at the meeting of the Aid-India Club in Washington in May last year; it does not, therefore, mean any addition to the aid which has already been taken into account. Japan has acted, however, with remarkable speed in making the assistance available. This is of some importance at a time when India is facing transitional problems arising from delays in the receipt of promised aid and has already obtained considerable assistance from the International Monetary Fund to cover the intervening period.

The Japanese credit is repayable in 15 years, instalments commencing after five years. The period of repayment is not as long as the United States promises for its own loans, but is nevertheless much longer than has been the case for most loans received so far. The loan carries an interest of 6 per cent a year. Evidently, the Japanese Government has not been able to accept the view so widely advanced that interest rates on developmental loans should be kept to a minimum. While the principle of larger aid has been recognised it will evidently be some time before the lending countries are able to see the need for making the terms of such aid as favourable as possible.

It is unfortunate that the Japanese loan is in the shape of credits to be made available by the Export-Import Bank of Japan together with private Japanese banks. These credits can be used for financing purchases only in Japan. Thus the loans continue to be tied to purchases in the country of origin. The official communique says that the credits would be used for such projects as might be agreed upon by the two Governments, which suggests that they will get tied to specific projects too. Since the

credits are in any case meant for purchase of plants, machinery and equipment, it would have been useful not to link them to specific projects. Experience has shown that in spite of foreign exchange shortage, credits already negotiated remain unutilised because of delays in the implementation of the specific projects to which they have been linked.

Shortfall in Income Target

ACCORDING to the "quick" estimates prepared by the National Income Unit of the Central Statistical Organisation, the real national income of India rose by six and one-half per cent in 1960-61. This is appreciably higher than the average rate of 3.9 per cent per annum achieved in the Second Plan as a whole. It is also the highest recorded in any year of the First or the Second Plan, with the exception of 1958-59. In view of the level of industrial and agricultural production known to have been achieved in 1960-61, the high rate of increase in national income this year was not unexpected.

From all accounts, the tempo of developmental activity in the economy was maintained at a high level in the last year of the Second Plan. In the public sector, Plan outlay increased by 10 per cent last year — from Rs 1,000 crores in 1959-60 to about Rs 1,100 crores. Available figures of capital issues and imports of capital goods on private account indicate that investment in the private sector was also maintained at a high level. Industrial production is estimated to have increased substantially during the year — by 12 per cent, the highest increase for any year of the Second Plan. The predominant factor behind the rise in national income was, however, the significant increase in agricultural production during the year. Output of foodgrains is estimated to have reached the record level of 78 million tons and production of commercial crops was also substantially higher than in the previous year. The C S O's "quick" estimates for 1960-61 are given below with the figures of national income for the earlier years of the Second Plan and for 1950-51 :

Year	National Income (Rs 100 crores)	Per Capita Income (Rs) (At 1948-49 prices)
1950-51	88.5	247.5
1955-56	104.8	267.8
1956-57	110.0	275.6
1957-58	108.9	267.4
1958-59	116.5	280.2
1959-60 (Preliminary)	117.6	276.9
1960-61 (Provisional)	125.3	288.8

Accepting these preliminary estimates for 1960-61, national income is now seen to have risen by about 20 per cent in the Second Plan. The Plan had expected a rise of 25 per cent, in response to a total investment of Rs 6,200 crores over the five years. The Planning Commission has, however, estimated in the Draft Report on the Third Plan that total investment in the Second Plan period was about Rs 6,750 crores, or some 9 per cent higher than the target. Viewed against this, the sizeable shortfall of 20 per cent in the increase in national income requires to be explained.

A clue to the explanation may be found in the Draft Report itself. In the chapter on "Industries", it is revealed that though the outlay on industries in both the public and the private sectors exceeded the targets set in the Plan, only 85 to 90 per cent of the physical targets were achieved. This divergence between the investment-output ratio as visualised in the Plan and as it has actually materialised is explained as due, partly, to underestimation of the costs of investment programmes in the first instance and, partly, to subsequent rise in prices.

In the Third Plan, national income is estimated to increase by 34 per cent. But there is a catch. National income will increase by 34 per cent only if all the Plan programmes can be completed in time. But all the programmes are not expected to be fulfilled as they entail significantly larger investment than has been provided for within the scheme of financial provisions and resources in the Plan. The target of increase in national income is, therefore, whittled down in the Plan itself to 30 per cent

which, it is expected, will be achieved with the financial resources now available.

But will it? The experience of the Second Plan makes one sceptical. The national income targets may have to be whittled down a second time to allow for likely changes in the investment output ratio as a result of divergences between actual outlay and project cost estimates and price escalation. Even if the target of financial outlay in the Third Plan is fully achieved, national income may not perhaps increase by more than 25 per cent.

Good Years and Bad Years

THE estimates of national income released by the C S O also raise some questions of a methodological nature. Experience suggests that when there is a slight fall in national income during any year or the increase is only slight, the subsequent year invariably shows a relatively sharp increase. This is what happened in 1958-59 when an increase of about 7 per cent followed a slight fall in national income during 1957-58. The increase of 6.5 per cent in 1960-61 also followed an increase of less than one per cent in 1959-60. In these circumstances, a series of moving averages based on three-year averages would probably give the best results for comparative purposes. Such a series might not, however, prove very helpful where the aim is to get a picture of what has happened in the latest year for which estimates are made. An alternative might be to combine the good year with the bad and strike an average for the two years. On this basis, the average rate of growth per annum during the two-year periods of 1957-59 and 1959-61 work out to approximately 3 per cent and 3.5 per cent respectively. This gives a better idea of the rate at which the economy is growing, provided, of course, one considers the national income estimates, as made at present, reasonably reliable indices of the pace of economic growth.

A glance at the figures of per capita income shows that there have been fluctuations in them from year to year. In 1959-60, for instance, when the total national income rose slightly, per capita income showed a definite fall, as, of course, it did in 1957-58 when the total

national income also fell. Per capita national income according to the "quick" estimates, was Rs 288.8 in 1960-61 at 1948-49 prices. This estimate is supposed to have taken into account the new population figures.

Foreign Collaboration

IN reply to a question by Shri Babubhai M Chinai in the Rajya Sabha, the Union Minister for Industry, Shri Manubhai Shah, listed three basic principles for permitting majority foreign capital participation in new enterprises in the country. First, the project should have a high priority for the fulfilment of Plan targets. Second, the project should make an important contribution in a field of technology in which little progress had been registered in the country and in which a great deal of additional development was essential. Third, the amount of foreign exchange needed for the project was such that unless foreigners were allowed to have majority participation, Government would itself have to find a substantial amount of foreign exchange. In the third case, participation would be permitted only when it was clear that the foreign exchange for the project could not be procured otherwise.

Since Shri Shah made it clear that the Government preferred that majority interest in ownership and effective control should be in Indian hands, it is obvious that these principles are to be applied fairly stringently in deciding when to make exceptions to the general policy. Shri Shah did not explain whether all the three conditions listed by him would have to be satisfied in each individual case or whether cases falling within one or the other of the principles would be considered for majority foreign participation. It appears quite likely that if Government considers satisfaction of any one of these principles to be enough for the purpose of making an exception to the general rule, it would be the third rule under which the majority of exceptions would be made in practice. Yet, in general, it is the second rule which must be considered the most important of the three from the angle of the country's progress.

Shri Shah revealed that majority foreign capital participation was

permitted in 26 cases in 1960 and 11 cases in the first half of 1961. The nature of the cases was not, however, indicated. That such participation has been permitted in one case for the manufacture of chocolates does not help to create any confidence about the way in which the very laudable principle laid down by Shri Shah have been, or will be, actually applied in practice.

Code of Conduct

A TWO-DAY seminar of political parties in Uttar Pradesh, fresh from the animosity and violence of Gaon Sabha elections, has evolved a code of conduct to be followed by politicians and their parties. The formulation of such a code represents no new development in the country. In the past, representatives of political parties in Madras had come to some understanding on the limited question of keeping the student population out of their partisan politics. And later Maharashtra produced a wider agreement, anticipating the present achievement of parties in Uttar Pradesh. How far such understandings or codes can operate in practice, with no sanction in force but the inclination of the various parties involved, is more than can be said. But that is no argument against the continuing quest for such a code, and particularly for means to ensure its observance.

And here the fact that unworthy practices in politics often have a boomerang effect on those who indulge in them, and sordid instances of electioneering campaigns degenerating into shameless, vicious and even violent skirmishes for power should have a salutary influence on the thinking of all party leaders. The general elections are fast approaching, and the indications are that they will be fought with greater vigour and passion than ever before. If any code is to be drawn up and acted upon, this is indeed the time to take the necessary measures inasmuch as there can be no check on politicians once they start flying at one another's throat. But the success of these measures would perhaps be greater if they were concerted on a national basis, and public opinion was shaped in advance to be constantly on guard against violations.

To return to the U P code, its features are naturally reflective of conditions in that State. But these conditions cannot be considered to be wholly peculiar to U P, for they exist in other States too though with differences of intensity and detail. What are the main aspects of the U P code? For one thing, it lays down that a candidate rejected by one party should not be granted an electoral ticket by another for the same election. Then it calls upon political parties to confine their criticism of others to principles, policies and programmes, leaving personalities out. This is supplemented by the stipulation that aspects of private life, not connected with the public activities of the leaders or workers of other parties, should be spared and that no propaganda based on falsehood or distortion should be resorted to. These principles are no doubt wholesome; and in a State like U P, where electioneering seems to be taking an increasingly violent turn, as revealed by the political murders reported in the course of the recent Gaon Sabha elections, they are indispensable if democracy is not to end in mob rule. But is the drafting of the code in question an outcome of such a realisation on the part of the politicians there or just one more piece of political play-acting?

Kenyatta's Release and After

AFTER nine years, mostly of imprisonment and partly of restriction, Mr Jomo Kenyatta, the leader who embodies in himself not only the aspirations of East Africa but also, to a considerable extent, the hopes of the entire African continent, is at last free. And it is encouraging to note that if it was an indignant, flaming nationalist that went behind the bars in 1952 it is a mellow, understanding statesman that has come out. The past week has seen a series of triumphs for the freedom movement in Kenya, beginning with the release of Kenyatta; and the biggest of them was perhaps the initiation of talks between him and the present Governor of the colony, Sir Patrick Renison, who would have nothing to do with the African leader till recently. These talks are believed to have covered the whole range of problems facing Kenya now, from future progress towards independence to the

release of, or removal of restrictions on, nationalist leaders still in jail or in exile. And even while the talks were proceeding, Government announced further measures calculated to give freedom of action to African leaders. And notably, it removed the ban on the entry of two eminent nationalists, Peter Koinange and Joseph A Murumbi, who had to keep away from Kenya so long. With these developments, the return to normalcy should be fast; and if all goes well, further progress on the road to self-government should be fairly easy for the troubled colony.

Mr Kenyatta, having been isolated for years from the flux of affairs, has rightly confined himself to generalities in his public utterances till now. But one aspect of the situation in Kenya has been stressed by him again and again, and that is the need for unity. He has refrained from showing any decisive inclination towards either of the political parties in the field now and, what is more, he has insisted on their resolving their differences to create the right atmosphere for rapid advance. And his presence, if not the urgency of the situation, has brightened the prospects of harmony and understanding in the political arena. As for the goals in view he has enumerated them in this order: "First we want unity in Kenya, and then we want a Federation, of East Africa. After that we want unification, or a federation, of all African States." These sentiments will find friendly echoes in many parts of the continent and receive wholehearted support from all who wish well of Africa. The goals may seem a little remote; but Mr Kenyatta's return to freedom and promise of the increasingly vital role he will play in the making of Africa's destiny augur well for the future.

Urban Banks

THOUGH a relatively small sector in organised cooperative activity in the country, urban cooperative banks constitute a more self-reliant part of the cooperative movement than other institutions. Thus in 1957-58, these banks, who numbered only 826, had deposits of over Rs 27 crores when all other non-agricultural credit societies, numbering 9,604, had deposits of only Rs 34 crores and 1.67 lakh agricultural credit societies had not even

deposits of Rs 9 crores. In this and in the fact that they familiarise a fairly large and growing number of people with rudimentary banking practices and facilities, lies the chief importance of urban banks in the economy of the country. Add to these the possibilities of using these banks to finance small-scale industries and that will measure the merits of the urban cooperative banks as revealed by the Reserve Bank of India's "Report on the Survey of Urban Cooperative Banks (1957-58)," just released. The sample survey was undertaken by the Reserve Bank on the recommendation of the first Bombay State Cooperative Urban Banks' Conference in August 1957.

As was perhaps expected, the survey revealed rather sharp differences in the growth of urban banks in the different States. In Bombay, Madras, Andhra Pradesh and Mysore they have developed well. This is ascribed mainly to the efforts of enthusiastic and capable non-officials associated with the banks in these States. According to the survey only 5 to 15 per cent of the population of the respective areas of operation of urban banks is served by them. Hence there appears to be considerable scope to increase the membership of these banks. The survey, however, points to evidence that in certain areas many persons are excluded from full membership with a view to keeping the management of the bank in the hands of a small and influential group. This problem is fairly common to other sectors of the cooperative structure as well, and the resources of the state co-operative departments and the Reserve Bank are gradually tackling it.

Owned funds, that is share capital and reserves, are seen to form generally not less than a fifth of the working capital of these banks. Deposits constitute almost three-quarters of their working capital. Other borrowings, usually from the central cooperative banks, are generally very meagre.

The major portion of deposits is generally fixed deposit. But in Madhya Pradesh, Bombay and West Bengal, savings deposits formed 52.43 and 47 per cent respectively of the total deposits. As yet very few banks have employed any special schemes to attract deposits, but the

prospect appears good. Most of the banks have so far worked more or less in isolation from the rest of the movement and also from the Cooperative Department. More thoughtful guidance is bound to yield good results.

Fixed loans rather than cash credits, predominate in the loan operations of these banks. Among loans, those for short terms are in the majority: only in Assam, Madhya Pradesh and Orissa do medium term loans predominate. If these banks are to play a more significant role in the financing of industry or trade, they will have to devote greater attention to medium term loans than at present.

According to the data collected by the survey, these banks advanced sizeable loans for domestic purposes and for repayment of old debts in Andhra Pradesh, Assam, Kerala, Madhya Pradesh, Madras and Orissa. Only in Bombay, Mysore, Punjab and Delhi were their loans chiefly for business. Loans for industrial purposes were advanced in Bombay, Kerala, Mysore, West Bengal, Punjab and Delhi. It may be added here, however, that in the absence of any detailed instructions in the past to classify loans according to purpose, this part of the findings of the survey may not quite reveal the actual state of affairs.

The most important source of earnings of urban banks is the interest charged on loans and advances granted to members. The main head of expenditure is the interest and commission charges paid on deposits, borrowings and other accounts. The ratio of total expenses to total earnings works out to 77 per cent. Thus, on the whole, these banks are able to keep their working expenses well within their earnings, and at the same time provide credit to members at moderate rates of interest.

The average borrowing rate of these banks varied from 2.7 per cent to 3.5 per cent in 1957-58 in all the States covered by the survey, except in West Bengal where it was as low as 1.3 per cent. As regards the lending rates, the all-India average was 7.1 per cent in 1957-58 and only in Madhya Pradesh was the average below 6 per cent.

Guidelines for Future

THE main features of an average urban bank as revealed by the survey are: membership, 1,397; paid-up share capital, Rs 59,000; reserves, Rs 62,000; and deposits, Rs 3.96 lakhs.

From the very small proportion of their members engaged in industry, and the relatively small part of the working capital requirements of members met by the urban banks, it is apparent that these banks are as yet playing only a minor role in financing small-scale industries. At the same time, the fact that they are suitable instruments to cater to the needs of the population living in urban areas and engaged in a variety of industrial activities has been recognised. The authors of the survey feel that the stage has come for positive promotion and development of urban banks and have indicated a few directions in which this may be done:

- (i) the scope for setting up these banks in new centres should be assessed; in this connection, the possibilities of developing some of the better non-agricultural credit societies into such banks should be considered;
- (ii) the management of these banks should make active efforts to expand membership;
- (iii) the urban banks should adopt a progressive attitude towards their functions, and should try to diversify their activities and offer a wider range of facilities to members;
- (iv) in their loan policy, the banks should adopt a sufficiently wide and diversified system adapted to the needs of the times and of different categories of members;
- (v) the working of the urban banks should be placed on sound and efficient lines, e.g. by eliminating non-credit activities of the trading type, improving accounting and operational arrangements and reducing and avoiding overdues;
- (vi) there should be continuous building up of member-relations as public relations and publicity are important.

These are only some of the possible lines of development. Both in order to ensure the working of the urban banks on sound and satisfactory lines and to develop them on the lines indicated in the survey, the main responsibility will have to be taken by the State Governments

which should ensure adequate arrangements for audit, inspection and supervision. While emphasising this, it should also not be forgotten that the development of urban banks cannot take place either entirely or mainly on the initiative of the State Governments. The banks themselves should adopt a progressive attitude and make arrangements to examine their problems, pool their experience and evolve methods to facilitate and encourage mutual cooperation.

Industries Fair

A Delhi Correspondent Writes:

THE Indian Industries Fair, opening here on November 14, besides being the biggest exhibition ever to be held in this country, will symbolise, according to the sponsors, the FICCI, 'the immense efforts of India to lay the foundation for future progress in regard to basic industries and for spreading the wave-band of industrial growth to cover different regions and manufactures of varied industrial and consumer goods.'

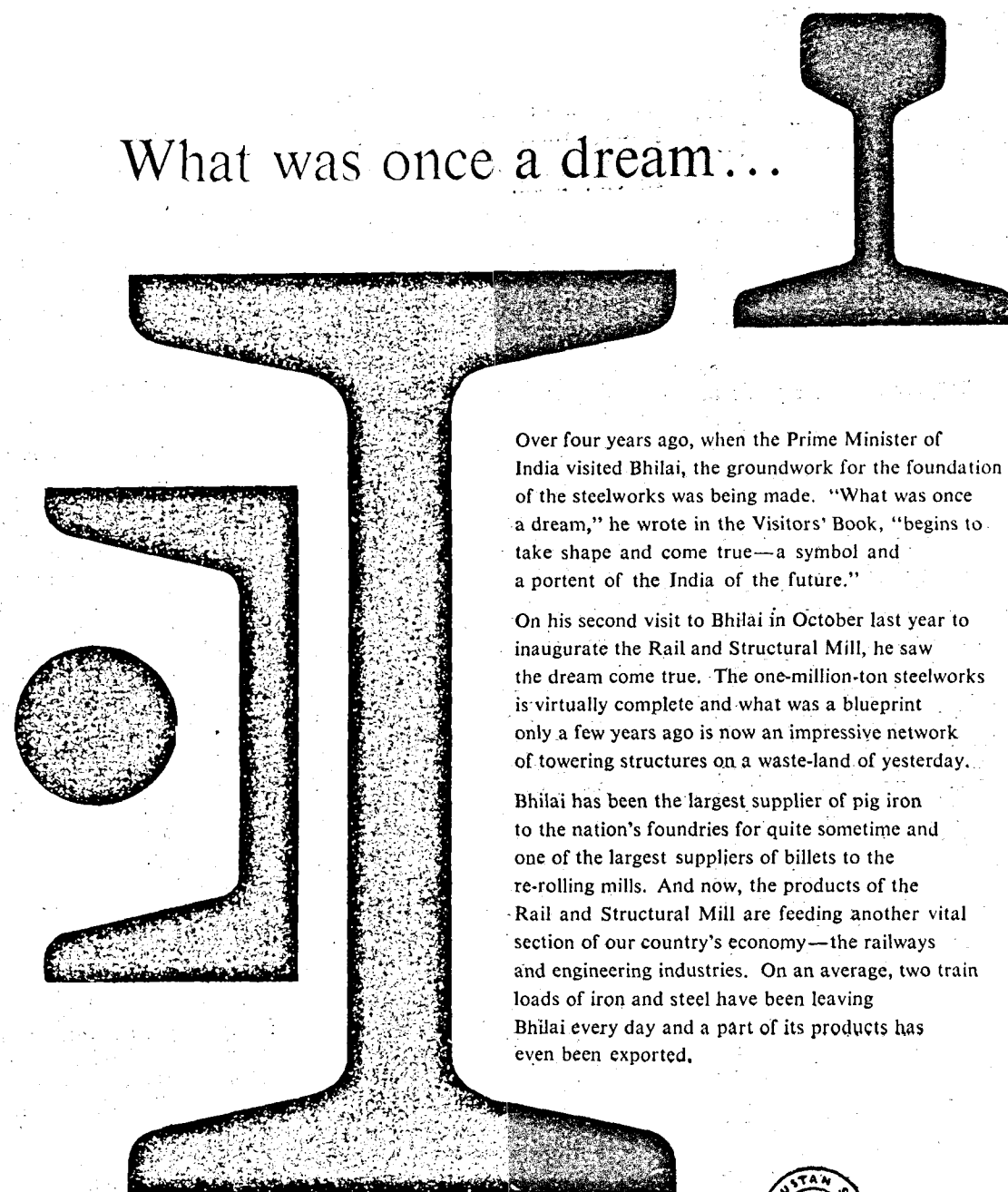
All the major public sector industries and leading business houses will be participating in the Fair in a big way. Twenty foreign countries, including all the major industrial countries of both the hemispheres have already indicated their willingness to participate in it. Sponsors of the Fair hope that the presence of a large number of foreign participants will give a spurt to foreign collaboration schemes. Many foreign trade delegations will visit the fair, and a number of business deals are likely to mature as a result of their contacts with Indian entrepreneurs.

To synchronise with the fair, an Afro-Asian Economic Conference is being convened in New Delhi in the first week of December. It is being organised by the Afro-Asian Organisation for Economic Cooperation, of which chambers of commerce and industry of 31 countries, including India, are members. The conference will discuss counter-measures to safeguard the interest of member-countries in view of the widening range of the European Common Market; and in this context, the possibility and desirability of forming an Asian common market may come up, before the conference. It will also discuss measures to step up trade among the member-countries.

The Indian Economy in 1960-61

Report on Currency and Finance for the Year 1960-61, Reserve Bank of India, Bombay, 1961.

What was once a dream...



Over four years ago, when the Prime Minister of India visited Bhilai, the groundwork for the foundation of the steelworks was being made. "What was once a dream," he wrote in the Visitors' Book, "begins to take shape and come true—a symbol and a portent of the India of the future."

On his second visit to Bhilai in October last year to inaugurate the Rail and Structural Mill, he saw the dream come true. The one-million-ton steelworks is virtually complete and what was a blueprint only a few years ago is now an impressive network of towering structures on a waste-land of yesterday.

Bhilai has been the largest supplier of pig iron to the nation's foundries for quite sometime and one of the largest suppliers of billets to the re-rolling mills. And now, the products of the Rail and Structural Mill are feeding another vital section of our country's economy—the railways and engineering industries. On an average, two train loads of iron and steel have been leaving Bhilai every day and a part of its products has even been exported.



HINDUSTAN STEEL

Backbone of Industry

ROURKELA • BHILAI • DURGAPUR
Headquarters: RANCHI

Products of
BHILAI
RAIL & STRUCTURAL MILL
Joists • Rails • Angles • Channels
Rounds • Flats

THE year 1960-61 was one of considerable activity by the Reserve Bank in the field of credit regulation. The credit policy pursued by the Bank falls clearly into two phases. The period April-September 1960 was marked by a tightening of the restrictive measures initiated in March 1960 with a view to curbing what the Bank authorities considered "the excess monetary demand in the economy". The steps taken by the Bank in the early months of 1960 included the impounding of additional deposits equal to 25 per cent of the increase in total liabilities since March 11, 1960, the ban on *budla* financing by banks and the extension of credit curbs to cover advances against equity shares as well as unsecured loans. In May 1960, the quantum of additional deposits to be maintained with the Bank was raised from 25 to 50 per cent. Further advances under the Bill Market Scheme during June-September 1960 were to be confined only to such banks as had availed themselves of the facilities in the preceding busy season. Even in the case of a bank falling in this category, credit from the Reserve Bank was limited to the maximum amount of its borrowings between October 31, 1959 and May 9, 1960.

In a further round of restrictive measures, a scheme of graded rates was introduced in September for commercial banks' borrowings from the Reserve Bank. Under these measures, each scheduled bank was assigned a quota for each quarter equal to one-half of the average amount of the statutory reserves required to be maintained by it with the Bank during each week of the previous quarter. Borrowings from the Reserve Bank within this quota were to be charged interest at the Bank Rate. Any borrowing over this limit upto 200 per cent of the quota was to bear a penal rate of 1 per cent over the Bank Rate; on borrowings above 200 per cent the penal rate was 2 per cent above the Bank Rate. Simultaneously, all scheduled banks were directed to (i) adhere to a minimum lending rate of 5 per

cent per annum on all advances whether existing or new, clean or secured, excluding only advances to other banks and to their own employees, and (ii) to raise their average lending rate by a minimum of one-half of one per cent over the level of the year ended June 30, 1960. Scheduled banks were also directed not to pay interest at a rate higher than 2 per cent below the Bank Rate on deposits of not more than 21 days or deposits repayable on notice of not more than 21 days.

The second phase of the Bank's credit policy was initiated in November 1960. With the advent of the busy season, conditions of acute monetary stringency emerged in the market. The directive issued in May requiring banks to maintain additional reserves was then withdrawn by the Bank in two stages. From November 11 further impounding of the increase in liabilities was suspended, and about one-half of the reserves already impounded, amounting to Rs 13 crores, was released to the banks by re-fixing the additional reserve requirement for the period between March 11 and November 11 at a quarter of the increase in deposits. The additional reserve requirement was revoked completely in January 1961, releasing another Rs 13 crores to the banks. In view of the persisting stringency and the slowing down of the growth of deposits, the ceiling interest of 2 per cent on deposits of 21 days was also withdrawn.

Money Supply

The Reserve Bank's "Report on Currency and Finance for the Year 1960-61" recounts these various measures with ill-concealed satisfaction. This is reflected in a prefatory statement that "during the year under review, the Bank pursued an active monetary policy adapted to the changing tempo of the economy." But little or no attempt is made in the Report to demonstrate how far the "active" policy was actually "adapted" to the "changing tempo" of the economy. This is a serious lapse considering that when the Bank announced the measures to res-

strict credit in March last year, they received by no means universal approbation. There were many—this journal, for one—who thought that the Bank's action was ill-considered and unwarranted. It was felt that the state of economy did not call for a credit squeeze. It was feared, on the contrary, that such a squeeze may have an adverse impact on the economy, coming as it did just when production was getting into stride. Further, the Bank's faith that credit restraint would check the inflationary pressures, which really stemmed from the processes of planned development, was considered to be too naive.

The Report on Currency and Finance gives, as usual, elaborate statistics of money supply and money market trends but nowhere attempts to link them to the credit policy pursued by the Bank with a view to proving either the need for the specific measures taken by the Bank at the time when they were taken or, indeed, their effect on the money market. The reader must, therefore, sift the mass of statistics for himself and draw his own conclusions.

The measures taken by the Reserve Bank notwithstanding, both bank credit and money supply expanded markedly in 1960-61. The rise in scheduled bank credit was almost twice as large as in 1959-60. Money supply recorded increase of the same order as in 1959-60.

During 1960-61 money supply with the public increased by Rs 201 crores (to Rs 2,902 crores) compared to the increase of Rs 205 crores in 1959-60. This brought the total expansion of money supply during the Second Plan to Rs 722 crores (33.1 per cent) against Rs 199 crores (10.1 per cent) in the First Plan. Taking the two Plans, money supply expanded by Rs 921 crores or 46.6 per cent.

Currency with the public increased by Rs 167 crores in 1960-61, compared to Rs 139 crores in 1959-60, and thus accounted for the major part of the expansion of money supply. Deposit money, on the other hand, increased by only Rs 34 crores which was lower than the increase in 1959-60.

The most important factor accounting for the increase in money supply during the Second Plan was bank credit to Government which amounted to Rs 109 crores in 1960-61, after making adjustments for PL 480 funds. The extension of bank credit to Government has, however, declined progressively since 1957-58, in which year it was Rs 405 crores; in 1958-59 and 1959-60 it was Rs 245 crores and Rs 174 crores, respectively. Bank credit to the private sector increased by Rs 249 crores in 1960-61 compared to Rs 138 crores in 1959-60, and Rs 47 crores in 1958-59.

While credit extended by scheduled banks increased by a record figure in 1960-61, bank deposits showed a slight decline and their investments and cash reserves declined sharply. Aggregate liabilities of scheduled banks fell by Rs 21 crores compared to a rise of Rs 267 crores in 1959-60. In contrast to a rise of Rs 208 crores in 1959-60, time liabilities of banks actually fell by Rs 58 crores. The fall was, however, mainly because of change in the placement of PL 480 funds. Demand liabilities increased by Rs 36 crores compared to Rs 59 crores in 1959-60.

The changes in bank deposits and investments were significantly affected by the change in the procedure for holding PL 480 funds. Thus, exclusive of PL 480 funds, total deposits of banks actually showed a rise, though there was a marked slowing down of the rate of growth. According to the Report, this slower growth was due to four main factors: (i) the smaller order of deficit financing (as measured by the extension of bank credit to Government); (ii) net sales of sterling in 1960-61 as against net purchases in 1959-60; (iii) the failure of two scheduled banks in May and August 1960 which shook public confidence in the banking system leading, consequently, to some diversion of deposits to post offices; and (iv) some diversion of deposits to industrial companies which were prepared to offer higher rates of interest than the banks.

While the growth of deposit resources of scheduled banks slowed down, scheduled bank credit showed a record expansion of Rs 208 crores (18 per cent) to Rs 1,336 crores, compared to Rs 114 crores (11 per cent) in 1959-60 and Rs 51 crores (5 per cent) in 1958-59. As a result,

the scheduled banks' credit-deposit ratio rose to 71 per cent at the end of March 1961 compared to 59 per cent in the previous year. In view of the shortfall in deposit resources the demand for funds was met by the banks by (a) liquidation of investments in government securities; (b) drawing down their cash reserves; and (c) larger recourse to borrowing from the Reserve Bank. Thus, scheduled banks' investments in government securities declined by Rs 156 crores compared to an increase of Rs 101 crores in the previous year; their cash and balances with the Reserve Bank were drawn down by Rs 36 crores compared to a rise of Rs 45 crores in 1959-60; and, the average outstanding borrowings of the banks from the Reserve Bank were higher at Rs 43 crores compared to Rs 19 crores in 1959-60. Scheduled banks' net balances with the Reserve Bank, after adjusting their borrowings, showed a fall of Rs 35 crores compared to a rise of Rs 9 crores in 1959-60.

Seasonal Variations

Detailed statistics of seasonal variations in money supply over the Second Plan period, abstracted from the currency and Finance Report, are given in the statistics pages of this issue. The 1960 slack season was remarkable in that the contraction of credit was of the order of only Rs 20 crores which was appreciably lower than contractions of Rs 79 crores and Rs 118 crores in the slack seasons of 1959 and 1958, respectively. The additional reserve requirements imposed by the Reserve Bank apparently had no impact on bank credit. Even following the tightening of the screw by the Reserve Bank in September, scheduled bank credit declined by only Rs 20 crores whereas it was expected that the banks would bring down credit by Rs 110 crores. The Report points out that there was a contraction of the order of Rs 108 crores in advances against seasonal commodities which was, however, offset by a rise of Rs 86 crores against non-seasonal commodities, as a result of the rising tempo of investment activity and the substantially higher level of industrial production. But this was what critics of the Reserve Bank's credit policy had meant when they argued that prices or inflationary pressures today depend very little on what the Reserve Bank does or does not do. This journal had then said that "ex-

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pect that money supply can be increased at one end and impounded at the other by banking devices reminds one of Lewis Carol:

'But I was thinking of a plan
To dye one's whiskers green,
And always use so large a fan
That they could not be seen'...

The Report also mentions that in the slack season of 1960 scheduled banks' portfolio of government securities showed a decline of Rs 52 crores as against a rise of Rs 178 crores in the previous slack season. This was inevitable. In view of the contraction of the banks' deposit liabilities and the penal rates imposed on the banks' borrowings from the Reserve Bank, the banks had no alternative but to liquidate their holdings of government securities to meet the demand for credit.

Over the Plans

The expansion in bank credit in the 1960-61 busy season was of the order of Rs 199 crores which exceeded the expansion of Rs 189 crores in the 1959-60 season. The major factor contributing to the expansion was the continued upswing in industrial activity. The accumulation of stocks of raw cotton and sugar with mills were other important causes. But while bank credit increased so steeply, the aggregate deposit liabilities of banks increased only marginally, by Rs 9 crores, compared to Rs 131 crores in the previous busy season. The shortfall in resources was again met by banks largely by heavy liquidation of government securities. Investment in government securities thus fell by Rs 126 crores which, even considering that a part of the decline was caused by the transfer of PL 480 funds from the State Bank of India, was remarkably steep compared to the decline of Rs 52 crores in the busy season of 1959-60. Besides liquidating their holdings of government securities, the banks met the demand for credit by drawing down their cash balances and by borrowing from the Reserve Bank. The unusually high demand for credit, taken together with the sluggish growth of bank deposits and the restraints imposed by the Reserve Bank, led to stringent conditions in the short-term money market almost throughout 1960-61.

Though there was a decline in deposits during 1960-61, over the Second Plan as a whole the growth of deposits was impressive, being

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of the order of Rs 837 crores, or more than five times that in the First Plan. The structure of banks' liabilities also underwent a change in this period. The proportion of demand liabilities to total liabilities which was 67.3 per cent at the beginning of the First Plan and 60.5 at the end of March 1956, came down sharply to 43.5 per cent by the end of March 1961. On the other hand, time liabilities whose absolute amount rose by some four times over the decade, increased from 32.7 per cent of total liabilities at the end of 1950-51 to 56.5 per cent at the end of the Second Plan. Of the increase of Rs 837 crores in total liabilities of banks in the Second Plan period, as much as Rs 651 crores was accounted for by time liabilities. This change in the pattern of banks' liabilities was caused largely by PL 480 funds which constituted a sizeable part of the increase in time liabilities.

The aggregate growth in bank credit during the Second Plan period was Rs 575 crores or 76 per cent, compared to Rs 214 crores or 39 per cent in the First Plan. Scheduled banks' investments in government securities also moved up by Rs 199 crores in the Second Plan, compared to only Rs 44 crores in the First Plan. Here, once again, the bulk of the increase was caused by the investment of PL 480 funds in government securities by the State Bank.

Rise in Production

While monetary and banking trends in 1960-61, as discussed in the Report on Currency and Finance have received relatively detailed attention in this summary, the Report itself, as usually, deals with practically every aspect of the Indian economy and even devotes a dozen or so pages to economic developments abroad. The highlights of the economy during 1960-61 according to the Report, were a striking increase in industrial production, a more modest improvement in agricultural output and a rise in aggregate investment. On the other hand, the price level recorded a rise while the balance of payments deteriorated further.

Agricultural production which had reached a record level in 1958-59, declined in 1959-60, causing the index of production to move down from 132.3 to 127.2, or by 3.9 per cent. The decline in production was shared by both foodgrains and non-

foodgrains, the indices of which dropped by 4.5 per cent and 2.6 per cent respectively. In 1960-61, despite floods and heavy rains in many parts of the country, production of foodgrains is expected to touch the recorded level of about 78 million tons. Should these estimates come true, production in the Second Plan would have increased by 18 per cent compared to 22 per cent in the First Plan.

Industrial production in 1960 increased by 12.1 per cent, as compared to 8.7 per cent in 1959, 1.7 per cent in 1958, 3.5 per cent in 1957 and 7.8 per cent in each of the three years, 1954-56. The general index of industrial production for 1960 worked out to 170.3, compared to 151.9 in 1959 and 139.7 in 1958. Over the Second Plan as a whole the index registered an increase of some 39 per cent, though, as the Report points out, this figure understates the actual increase in production insofar as new industries which commenced production after 1951, some of which have recorded sharp increase in production, are not included in the index.

Prices

In 1960-61, the final year of the Plan, developmental activity in both the private and public sectors was further intensified. Total Plan outlay in the public sector is estimated to have risen from Rs 1006 crores in 1959-60 to Rs 1100 crores in 1960-61. Over the Second Plan period total outlay in the public sector is estimated at Rs 4,600 crores compared to Rs 1,960 crores in the First Plan. Investment in the private sector also rose by some Rs 1,300 crores from about Rs 1,800 crores in the First Plan to Rs 3,100 crores in the Second. Private investment activity continued at the high level it attained in 1959-60. Corporate profits were substantially higher in 1960-61 compared to 1959-60. The profits before tax of 925 large and medium-sized companies closing their accounts during July 1959-June 1960 were Rs 156 crores compared to Rs 117 crores in the previous year. Corporate savings at Rs 37 crores were more than double the figure of Rs 18 crores for the previous year. The buoyancy of the capital market was reflected in the increased volume of new issues, many of them heavily oversubscribed, and in a rise in share values as well as in turnover.

The chief items on the debit side of the economic balance sheet for 1960-61 are the price level and the balance of payments. On the prices front the situation in 1960-61 was marked by an almost continuous rise. The index of wholesale prices rose by 7.2 per cent to 127.5 per cent. This rise came close on the heels of a more or less similar rise of 5.8 per cent in the previous year. Over the Second Plan period as a whole the general price level rose by about 30 per cent which is in sharp contrast with the decline of some 18 per cent during the First Plan.

The breakdown of the wholesale price index by categories, reveals that the bulk of the rise in 1960-61 was accounted for by the rise in prices of 'industrial raw materials' and 'manufactures', the indices of which went up by 20.6 per cent and 10.7 per cent respectively, compared to 13.5 per cent and 7.5 per cent respectively in 1959-60. 'Food articles' showed a rise of only 0.4 per cent compared to 2.8 per cent in 1959-60. The index of cereal prices which stood at 103 in the week ended March 26, 1960 rose to 110.1 in the week ended July 16, but thereafter declined steadily to touch 98.4 at the end of December 1960. It then rose somewhat to reach 100.3 at the end of March 1961. The decline in cereal prices in 1960-61 is significant in that it occurred in spite of a fall in cereal output from 62.6 million tons in 1958-59 to 60.5 million tons in 1959-60. The decline in prices during 1960-61 is, therefore, to be explained not by the trends in production but by the comfortable supply position of foodgrains largely as a result of higher imports, which amounted to 50.4 lakh tons as compared to 37.6 lakh tons in the previous year. It is also likely that expectations of a record foodgrains production in 1960-61 also influenced prices.

The sharp rise in the index for 'industrial raw materials' was accounted for by an increase of 41.6 per cent in prices of fibres and 13.5 per cent in those of oilseeds. Among fibres the increase was entirely due to a steep rise of 92.2 per cent in raw jute prices. Taken with the rise of 23.7 per cent last year, prices of raw jute thus rose by 137.7 per cent in the two years. Raw jute

prices reached a peak of 289.5 in February 1961 but thereafter tended to decline, the index falling to 267.4 in the week ended March 25, 1961. This was partly due to the steps taken by the IJMA to control consumption of raw jute and those taken by the authorities to regulate the price rise, but largely due to prospects of a bumper crop in the 1961-62 season.

The rise in price index of 'manufactures' largely reflected the rise in prices of 'industrial raw materials'. Within 'manufactures' the sub-group 'intermediate products' rose by 13.2 per cent and 'finished products' by 10.4 per cent. Among finished products the rise took place almost entirely in textiles and among textiles, jute textiles which had risen by 19.5 per cent in 1959-60 rose sharply by 65.3 per cent following the trend in raw jute prices.

The All-India consumer price index rose from 121 in March 1960 to 126 in August but declined to 123 in January 1961 and stood at 124 in March 1961. Over the year the index thus recorded a rise of 2.5 per cent as compared to 3.4 per cent in 1959-60 and 6.4 per cent in 1958-59, reflecting largely the comparative stability of food prices throughout the year. Over the Second Plan period, the cost of living index rose by 24 per cent compared to a decline of 2.9 per cent in the First Plan.

Balance of Payments

The balance of payments position deteriorated further in 1960-61 compared to 1959-60, owing to higher imports and smaller invisible receipts. Exports increased by Rs 9 crores over 1959-60 to Rs 632 crores. Imports, on the other hand, rose sharply by Rs 164 crores to Rs 1088 crores. The trade deficit, consequently, widened to Rs 456 crores and touched a level double that in 1959-60 and higher than even that in 1958-59. The draft on the country's foreign exchange reserves increased to Rs 59 crores, compared to Rs 16 crores in 1959-60, despite the inflow of external assistance amounting to Rs 400 crores. At the end of March 1961, the country's foreign exchange reserves stood at Rs 304 crores compared to Rs 363 crores a year ago.

The balance of payments position with all the major areas, except the

sterling area, worsened in 1960-61. Compared to the previous year, the deficit with the sterling area narrowed by Rs 15 crores to Rs 30 crores. The deficit with the dollar area more than trebled during the year to reach Rs 195 crores, which is a record for any year since the war. The deficit with the O E E C countries increased by more than a third and was Rs 143 crores compared to Rs 106 crores in 1959-60. While the deficit with these countries mounted, the surplus with the rest of the non-sterling area declined sharply from Rs 27 crores in 1959-60 to Rs 4 crores in 1960-61.

External loans and P L 480 credits for which authorisations were secured in 1960-61 amounted to Rs 970 crores, or over Rs 500 more than in 1959-60, while grants amounted to Rs 34 crores. Total foreign aid authorisations, including aid earmarked for the Third Plan, during the period 1956-61 amounted to Rs 2,569 crores. With a carryover of Rs 193 crores from the First Plan,

total foreign aid available for the Second Plan was Rs 2,457 crores of which 44 per cent was in the form of loans and 47 per cent consisted of P L 480 and 665 and third country currency assistance programmes of the U S; the remaining 9 per cent was made up of grants. Estimated utilisation of foreign assistance during the Second Plan was Rs 1,467 crores, leaving a carryover of Rs 1,295 crores, including loans authorised in the Second Plan for Third Plan projects for use after March 1961.

Besides the subjects touched on in this summary, the Report on Currency and Finance discusses in detail the budgets of the Union and State Government and their public debt, the capital and bullion markets and currency and coinage. For the most part, the data contained in the Report (laid out in over 100 statistical statements) are of course, already known, but their systematic presentation renders the Report a valuable handbook of reference.

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India and the 'Neutral Summit'

K P Karunakaran

In India public opinion on foreign policy is largely led by the Government. In recent months this fact has been clearly reflected in the public response to the Government's attitude to the conference of non-aligned countries at Belgrade next month.

The conference itself will be an important gathering of the foremost non-aligned nations. But even a month before it was to meet, the people of India did not know whether their Government would be represented at it or not. Still there was no discussion on the subject in the country.

The role of the Indian representative at the preparatory conference was a controversial one. The Indian press covered the preparatory conference well but it failed to spark off any debate on the subject in the country.

This is scarcely a commendable state of affairs. If the Indian Government had chosen to stay away from the conference, or if it now decides to participate in it only passively, we must be aware of the consequences of these actions and, particularly, their impact on other non-aligned countries.

ONE reason why some neutral countries have expressed their disappointment at the Indian attitude to the neutral nations' conference is that they think that it is inconsistent with India's past record. India was among the first group of countries to declare themselves unaligned to either power bloc and to express their strong determination to steer clear of cold war politics. Although the Indian Prime Minister has often said that he has no intention of forming a new bloc or assuming its leadership, many of his actions have led other neutral countries to believe that he was anxious that India should play an active part in the developments in its part of the world and in world affairs generally. The non-official Asian Relations Conference convened by India in March 1947 in New Delhi was the first outward expression of Asian resurgence. Then came the Asian Conference on Indonesia convened in January 1949 to focus the attention of Asian countries on Dutch colonialism in Indonesia. This conference symbolised the spirit of unity and co-operation among the newly independent countries of the continent and their determination to defend the freedom of any one of them. The Bandung Conference held in April 1955 was much more broad-based in scope as a large number of Asian and African States participated in it. It was not concerned with any specific issue but dealt with general problems. The Asian-African group in the U N is a loose organisation. The only link binding the countries in this group is that they are all Asian or African nations and, as economically backward and new-

ly-independent countries, many of their problems are broadly similar.

India has played an important part in the deliberations of these conferences and in the working of the Afro-Asian group at the U N. The size of the country, its geographical position, the ability of its diplomats and the initiative displayed by its Government on the international scene have all built up for it a position of prominence among neutral countries. But the preparatory conference of neutral nations held in Cairo in June last, revealed that India might not be willing to play an equally prominent role in the proposed neutral nations' conference to begin at Belgrade on September 1.

Initiative Not India's

The initiative in convening this conference was not India's but that of U A R and Yugoslavia. At the preparatory conference India was out-voted more than once, on such important questions as the choice of invitees and the definition of the term 'non-aligned'. Has this annoyed New Delhi? One of the first state-ments made by India's representative to the preparatory conference on his return to India was that India was not committed to attend the proposed conference. A member of the Central Cabinet is also reported to have observed that, though India could be out-voted by others, without India's participation, the neutral nations' summit would lose much of its significance as also much of its glamour.

This apparent contradiction between India's active role in the early period of her Independence and her present lack of enthusiasm for poli-

tical groupings among underprivileged nations is in one sense the result of the changing character of these groupings. When India championed the cause of Indonesia against the Dutch or suggested a solution to the problem posed by the Korean prisoners of war, she, with the other non-aligned countries was acting within the framework of generally accepted international behaviour. She was lending her support to an accomplished fact or was suggesting only minor changes in the *status quo*. But when some African Governments champion the cause of the Gizenga Government in the Congo or support the Algerian revolution, they are going many steps further. Their action is in tune with the militant mood of Africa, but not with the cautious approach of India, where the transfer of power from the British took place in a peaceful manner and where the independent government very soon established excellent relations with the erstwhile colonial power. What the majority of the "neutrals" are now trying to do is to reverse the *status quo* in some parts of Africa by bringing pressure to bear on colonial powers and by giving active support to militant freedom movements. To participate in such moves would be a serious departure from India's foreign policy.

India's Changing Attitude

Even if the neutrals' summit did not involve consideration of policies which are not in keeping with India's policy, India would still have been unenthusiastic about it for other reasons. With her political stability and the economic progress she has achieved, India does not have

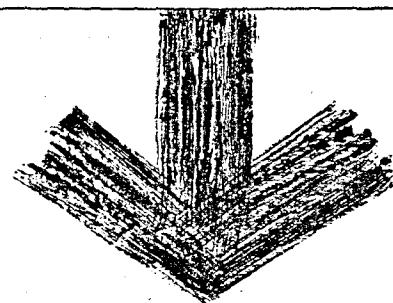
the attitude of an under-privileged country any more. On a very small scale, she now partakes of the character of an European nation. Like the skilled labourer in Britain, who wants to assert his rank as a white-collar man by voting conservative, there are people in India who want India to assert its privileged position (among Asian and African countries) by isolating itself from other under-developed countries. India is also heavily dependent upon economic aid from both the United States and the Soviet Union and neither of the two leading powers is enthusiastic about the Belgrade neutrals' summit.

In one respect India has much in common with Yugoslavia in its attitude to world problems. Both countries have a global outlook and their respective leaders have an intellectual understanding of the destructive nature of modern wars. The pursuit of peace is, therefore, a major factor in their foreign policy. Other neutral countries are neutrals because they disagree with the policies of the major powers and also because many of their interests clash with those of the two blocs. But India and to some extent Yugoslavia, are non-aligned because they are aware of the danger of a global nuclear conflagration. That is why India has argued that global and world problems, rather than regional issues, should be discussed at the neutral conference and also why this stand has found more support in Yugoslavia than elsewhere. But neither Egypt nor Ghana will be prepared to work within this broad world perspective. They are at present exclusively concerned with regional problems like those of Algeria and the Congo.

These are some of the factors which have influenced the Indian attitude towards the neutral summit and which will continue to be a source of cleavage between her and some other neutrals.

Cotton Textile Production

PRODUCTION of cotton cloth in India in July 1961 was 393 million metres and that of cotton yarn 71 million kilogrammes, according to the Textile Commissioner. At the end of June 1961, the composite mills of the cotton textile industry held an estimated stock of 1.32 lakh metric bales unsold and 1.59 lakh metric bales sold, but not lifted.



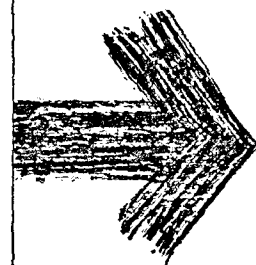
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Social Values and Economic Change

The Hill Marias of Bastar

Edward J Jay

Most recent studies of social and cultural change in rural India have emphasised the difficulty of introducing new ideas into village life.

Lack of understanding on the part of government officials, villagers' suspicion of outsiders, lack of appropriate forms of social organisation to handle the innovations, and many other reasons have been proposed to understand better the slowness of social change and the failure of planning in connection with the village community.

It is suggested here that a certain tenaciousness of traditional ways, irrespective of their utility, is an important factor in this respect.

Perhaps the new form of irrigation of the new wheat is seen as better in the purely utilitarian sense. But the old and traditional forms are valued because they are more psychologically satisfying.

This is illustrated by the strong emotional attachment of the Hill Marias of Bastar to a form of shifting agriculture, locally known as penda, which goes beyond a purely rational appraisal of its worth.

[A preliminary version of this paper was read at the annual meeting of the American Anthropological Association in Minneapolis, Minnesota, in November 1960].

THE Hill Marias are a Gond tribal group living in an area called the Abujhmar, in Bastar District, Madhya Pradesh. There are about 10,000 Hill Marias, most of them living by a combination of gathering and a form of shifting agriculture locally known as *penda*. There is also some cash income from a small mustard seed crop from wage labour, the manufacture and sale of liquor, and occasional sale of livestock. Of the latter activities, the cultivation of mustard seed is the only one universally pursued. In addition, fish from the numerous streams in the area provide a large percentage of the protein supply. Hunting is also done but is a marginal activity.

The Abujhmar Hills are characterized by a mediocre lateritic soil with poor moisture retention, great rockiness, and steep slopes. This is an ecological zone where rice agriculture is not feasible. The chief grain crop is a millet, *Panicum mileaceum*, locally known as *kohala nuka*. Nevertheless, a minute quantity of rice is grown in small plots adjacent to streams. The land is prepared by hoeing and not by plowing. Transplantation is not performed.

There is a group of Maria villages however, located at the extreme edge of the Abujhmar Hills, on the border of a different ecological zone one of flat land with comparatively good soil. One of the largest of these villages, with a population of

235, is Orcha. Here both rice cultivation and *penda* are done. The rice is more systematically cultivated, in fields adjacent to a river which flows the year round. There are about 100 acres in all. The plow is used by most families, and is drawn by ordinary cattle, not buffalo. Transplantation of paddy is not practised, though the villagers are familiar with the technique, having witnessed it in more typically rice-growing Halba and Gond villages to the north. The yield is low, amounting to only about 350 pounds per acre on the average, which compares unfavourably with the Indian national average of 900 to 1000 pounds. The yield of millet from the *pendas* is still less, however, amounting to no more than 335 pounds per cultivated acre in a good year. The rice figure is somewhat misleading, as some of the very poor fields bring the average way down. Some of the yields are much higher than 350 pounds per cultivated acre. One family in the village reaped about 900 pounds per acre in 1958.

Of the 35 families at Orcha in 1958, 20 sowed both rice and *penda*, 8 sowed rice only, 4 sowed *penda* only, and 3 lived by means other than agriculture. In 1959 there were 38 families of which 11 sowed just rice. These figures may be summarized in the following table:

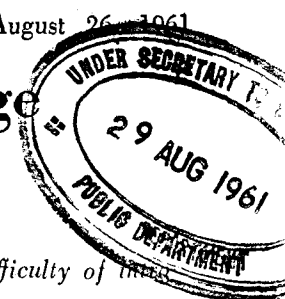
	1958	1959
Rice and Penda	20	20
Rice only	8	11
Penda only	4	4
No land	3	3
Total number of families	35	38

Now, throughout most of tribal India where these two systems of agriculture existed side by side at one time, plow agriculture gradually came to displace the more primitive slash-and-burn technique. Essentially there are two reasons for this: one is the natural advantage of settled agriculture over shifting, and the other is official governmental pressure from the outside.

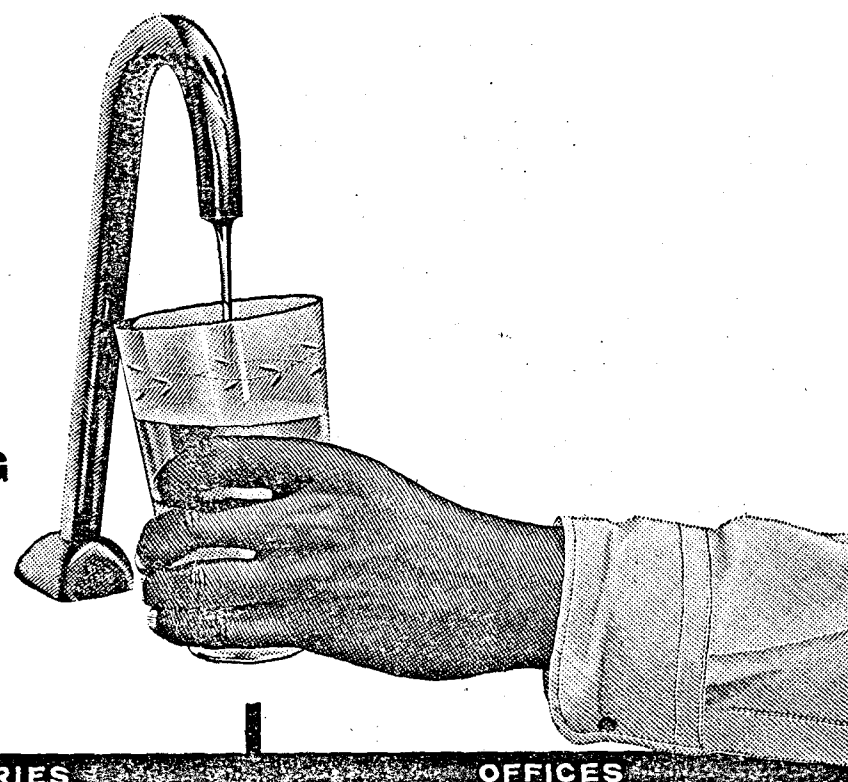
In his recent book "Tribe, Caste, and Nation," F G Bailey mentions a number of advantages of rice cultivation over axe cultivation in the Kondmals of Orissa. One of these is the perpetual fecundity of the land. It rarely requires a fallow period, and once the initial labour of making the field is expended, there is relatively little work from year to year compared with an axe field. "... within limits it is capable of expansion to meet a growing need for food without running into the danger of destroying natural resources. It represents considerably greater control over nature than does the axe field."*

I concur in these remarks, adding the caution that it has not been clearly established that shifting cultivation is wasteful of forest resources as long as the population remains sparse. (Bailey, of course, is speaking of a situation where population is increasing.) I would also like to add that, at least in the

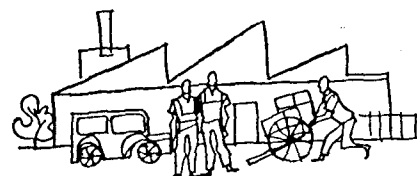
* F G Bailey, "Tribe, Caste, and Nation". Manchester, The University Press, 1960. (Pp 65-66)



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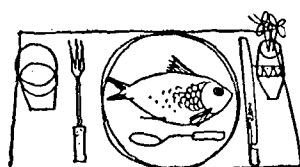
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Abujhmar, the yield of grain per acre of rice land is somewhat greater than that from *penda* land, as we have seen. It is also likely that rice production could be increased to a much higher level through more systematic irrigation and fertilization techniques. Cultivation on the rocky slopes, on the other hand, probably could be improved only to a very limited extent. The present system of field rotation (with a 15 to 20 year fallow cycle) substitutes for fertilizer, and apparently additional moisture is not needed for the millet crop. Moreover, axe fields require perpetual hard labour inasmuch as new areas of jungle must be cleared every three or four years; and the annual growth of bushes and shrub necessitates chopping and burning activity every year. Use of the plow makes hoeing unnecessary. Hoeing is not only harder work, but *penda* fields are very rocky compared to rice fields, making it more difficult for the earth to be turned. Moreover, wild animals devour large portions of the *penda* crops, as the fields are located right in the jungle. Rice fields, on the other hand are farther from thick jungle for the most part, and are smaller and easier to fence off. Finally, the crops themselves compare unfavourably. Rice is a large-kernel grain easier to thresh, winnow and husk than the small-kernel millet. Millet on the plate is usually full of stones, chaff, and bits of dirt, while rice is comparatively clean. You can make flour out of the starchy rice grains, but millet is round and hard difficult to grind into flour. Throughout most of Bastar rice is a high prestige grain compared to millet. The Muria Gonds, Halbas, and other cultivators of the region prefer rice and it brings a fairly good price in the market. Millet, on the contrary, has very little cash value. To summarize, it would appear that rice cultivation is more efficient and therefore more desirable, all other things being equal, than shifting cultivation.

Attachment to *Penda* Cultivation

The question that intrigues me, at this juncture, is why the trend toward rice cultivation has proceeded so slowly in this area. For the Abujhmar Hills proper the reason seems obvious: there is a lack of suitable land. The rocky slopes of the hills preclude any type of plow agriculture or the growing of crops

which require plenty of water. But there is suitable land available to the Marias of Orcha and surrounding villages. There is a good deal of flat land in the area now which is not cultivated. Especially along the southern bank of the Orcha river there are large areas of land which are not being utilized for rice, but where rice could be grown easily with a minimum of labour. Furthermore, it would be quite feasible for many of the hill people to move down into this area if they so desired.

I have already mentioned that at Orcha and the neighbouring villages there is some reliance on plow agriculture. Apparently a number of families have realized the advantages of rice over *penda* and are now cultivating rice exclusively, as was indicated in the foregoing table. To the extent that there is a trend it is apparently toward rice. But why do so many families at Orcha continue to rely on *penda* and its millet crop for at least half of their cultivated staple grains?

In order to formulate an answer to this question, it is necessary to examine Maria attitudes towards the two systems of agriculture. At present the government is considering a policy of severely limiting or eliminating altogether slash-and-burn agriculture in the Abujhmar on the grounds that it is wasteful of forest resources. Rumours to that effect have reached the Marias. Their opposition to the intended reform is adamant. One man told me that "we will not stop *penda* even if we are killed!" Another said that the Marias would not turn from *penda* even if the government gave them lots of good rice land. "Without *penda* we Marias cannot live!" These attitudes were voiced by all the men of Orcha, even those who grow only rice. The attachment to slash-and-burn is shown in still other ways. When Marias are asked which they prefer to eat, rice or millet, they will inevitably say millet. (The wealthiest Maria at Orcha was a partial exception to this. He is a man who grows only rice and when asked which he prefers to eat, he said "both are good.") There are new eating ceremonies for both crops, but there is more interest and concern about the ceremonial performances for *penda*. There is very little emphasis on folklore in Maria culture, but most of the tales that exist involve *penda*, never rice

In 1891 the administration of Bastar came directly under the British Government and they taxed the land heavily, including *penda* and rice in the Abujhmar. Injustices were inflicted in the assessment of both types of land, but only rice cultivation was abandoned. The readiness with which rice production is cut back is another indication of its relatively unimportant status in the eyes of the Marias. Later, under W V Grigson in the late 1920's, this type of tax was discontinued in the Abujhmar and rice cultivation was again pursued. At present Marias are free to practise axe or plow cultivation without official encouragement or discouragement in respect to either.

Value vs Utility

In general we can say that there is a strong emotional attachment to *penda* which goes beyond a purely rational appraisal of its worth. Both rice and *penda* are valued, but in different ways. To borrow a distinction from Kluckhohn's theory of value, one form of agriculture is truly "valued," while the other is appreciated only in a "utilitarian" sense. That is to say, *penda* has attached to it sentiments and emotions which transcend its actual usefulness as a food-getting activity. In Kluckhohn's words:

Value should be distinguished from utility because of the arbitrariness and psychological character of value. Utility normally refers to a strictly rational calculus, often from the vantage point of the observer.

Thus, I, as an observer, saw only the technical advantages of rice cultivation. It was difficult to appreciate fully the Maria attachment to slash-and-burn as an economic activity. There is an esthetic component in the way Marias look at *penda*: *penda* is a way of life, a symbol of their very existence. It at once provides them with their daily sustenance and sets them apart as a people, separate from all others. Rice is still regarded as foreign and marginal, even by those cultivators who in fact rely on it more than on *penda*. That is the answer I got when I asked why rice agriculture was not expanded, considering its higher yield for less work. For example, "rice is al-

* C. Kluckhohn, "Values and Value-Orientations in the Theory of Action: An Exploration in Definition and Classification." In T. Parsons and E. Shils, "Toward a General Theory of Action." Cambridge, Harvard University Press, 1951. (P. 430).

right. But we just grow a little. Mainly we Marias live by *penda*." This answer seems even to ignore the present existence of 100 acres of paddy land along the Orcha river.

Although these observations about values are not entirely new, it is possible that they have been neglected to some extent in current studies of social and cultural change in rural India. Most of the recent studies have emphasized the difficulty of introducing new ideas into village life from the outside. The lack of understanding on the part of government officials, the villagers' suspicion of outsiders, the lack of appropriate forms of social organization to handle the innovations, and many other reasons have been proposed to better understand the slowness of social change and the failure of planning in connection with the Indian village community. I would like to suggest that a certain tenaciousness of traditional ways, irrespective of their utility is still another. In the Abujmar, for example, change is extremely slow even when the usefulness of the new technique is understood and there is no problem of relationships with outsiders. The cultivation of rice has been part of Maria culture for many generations so that it is not new or strange. Its advantages in terms of food production are understood, yet the old order persists, and the swing to rice is incredibly slow.

There seems to be a tenacity of old ways for their own sake, irrespective of their lack of utilitarian advantage. It would not be surprising if this is true over wide areas of India. Redfield* noted the tendency of peasants in many parts of the world to exhibit a hard-headed conservatism, a repetative assertion of the tried and traditional as guides for behaviour. Perhaps the new form of irrigation or the new wheat is seen as better in the purely utilitarian sense. But the old and traditional forms are valued because they are more psychologically satisfying and esthetically pleasing. The swing from one method to another does not automatically follow even if the technical advantage of the new is clearly realized.

* R Redfield, "Peasant Society and Culture," Chicago, University of Chicago Press, 1956. (Pp 137, 140)

Work on Indian Dams by British Firm

THE Indian branch of the British firm of Cementation Co Ltd has been awarded a contract valued at £270,000 by the Tata Hydro-Electric Power Supply Co Ltd for the strengthening of the Shirawta Dam, near Bombay. Two-and-a-half years ago, the Tata Power Co entrusted Ce-

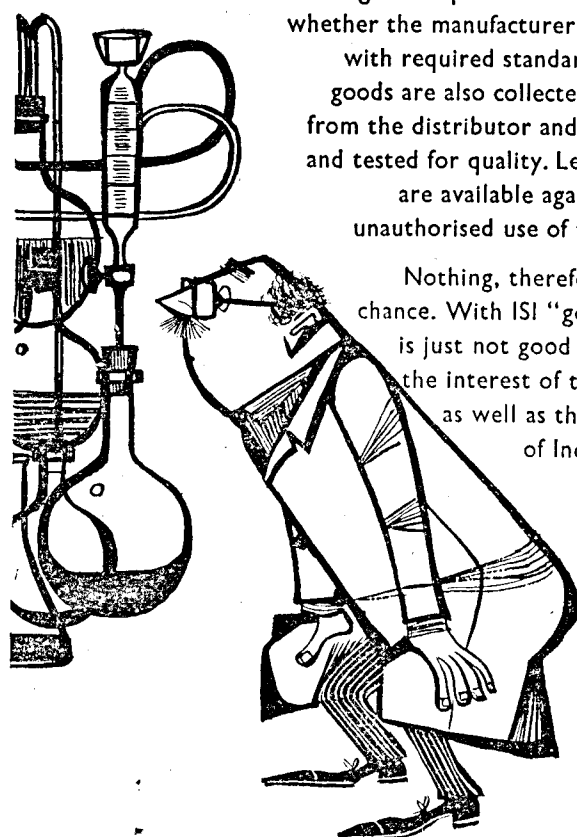
mentation with a contract valued at approximately £100,000 for the grouting of the Walwhan Dam, which, like the Shirawta Dam, forms part of the Tata hydro-electric project system. This was followed last year by a contract for the strengthening of the Walwhan Dam by means of high tensile cables and the grouting of the Shirawta Dam.

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Public Finance, Economic Growth and Redistribution of Income in India (1951-52 to 1960-61)

V K R V Rao

Public finance plays an important role in the promotion of economic growth by the transfer of income that it effects from the private sector to the public sector, the incidence of such transfer and the objectives on which such transferred income is employed.

The following note is a preliminary attempt at looking at India's experience during the first decade of our planning from this angle.

The general conclusion that emerges is that the redistribution of income effected by taxation was not such as to discourage either individual investment or enterprise.

Moreover, income transferred to the public sector was increasingly used to finance economic and social overheads which, in turn, increased the opportunities for investment, enterprise and earnings in the private sector.

[The note is based on a paper read by the author at the Seventh General Conference of the International Association for Research in Income and Wealth, held at Tutzing, Germany, from August 4 to 10, 1961.]

NO comprehensive study has been made so far of the structure of income distribution in India. The only data relating to distribution are the income-tax statistics, but these deal only with non-agricultural income and cover only a small proportion of the total working force. No similar statistics are available either for agricultural income or for the non-agricultural income not subject to income-tax. Data of a suggestive character, which could be used for making a rough estimate of distribution by broad categories, is available in a miscellaneous collection of official documents and reports as well as some non-official surveys, but these have not yet been brought together and processed for the purpose.* In any case, even this miscellaneous data does not give scope for making a study of changes in the distribution of income over time; and it is practically impossible to establish quantitative estimates of any redistribution effected through public finance covering all income categories. The only statistics of distribution by income ranges available over time is that given by the income tax data; and it is in respect of these that it is possible to look at the effect of taxation on redistribution. All other references to the

* The writer of this paper is engaged at present in making such a study and hopes to present his preliminary estimates of the distribution of income in India by the end of 1961.

redistributive effect of public finance will have to be in general terms and cannot be given a quantitative content in terms of income ranges.

Rise in Developmental Expenditure

Table 1 gives the figures of the total tax revenues raised by the Central and State governments during the last ten years and the proportion they constituted of the national income during that period. It will be seen from the Table that there has been a significant rise in the absolute amount of income transferred from the private to the public sector. There has also been a noticeable rise in the proportion of the national income taken by taxation, though this is far below the corresponding figures for the developed economies. That this redistribution of income between the public and private sector has been used for the promotion of economic growth is seen from Table 2, which gives the figures of Central and State expenditure during the last

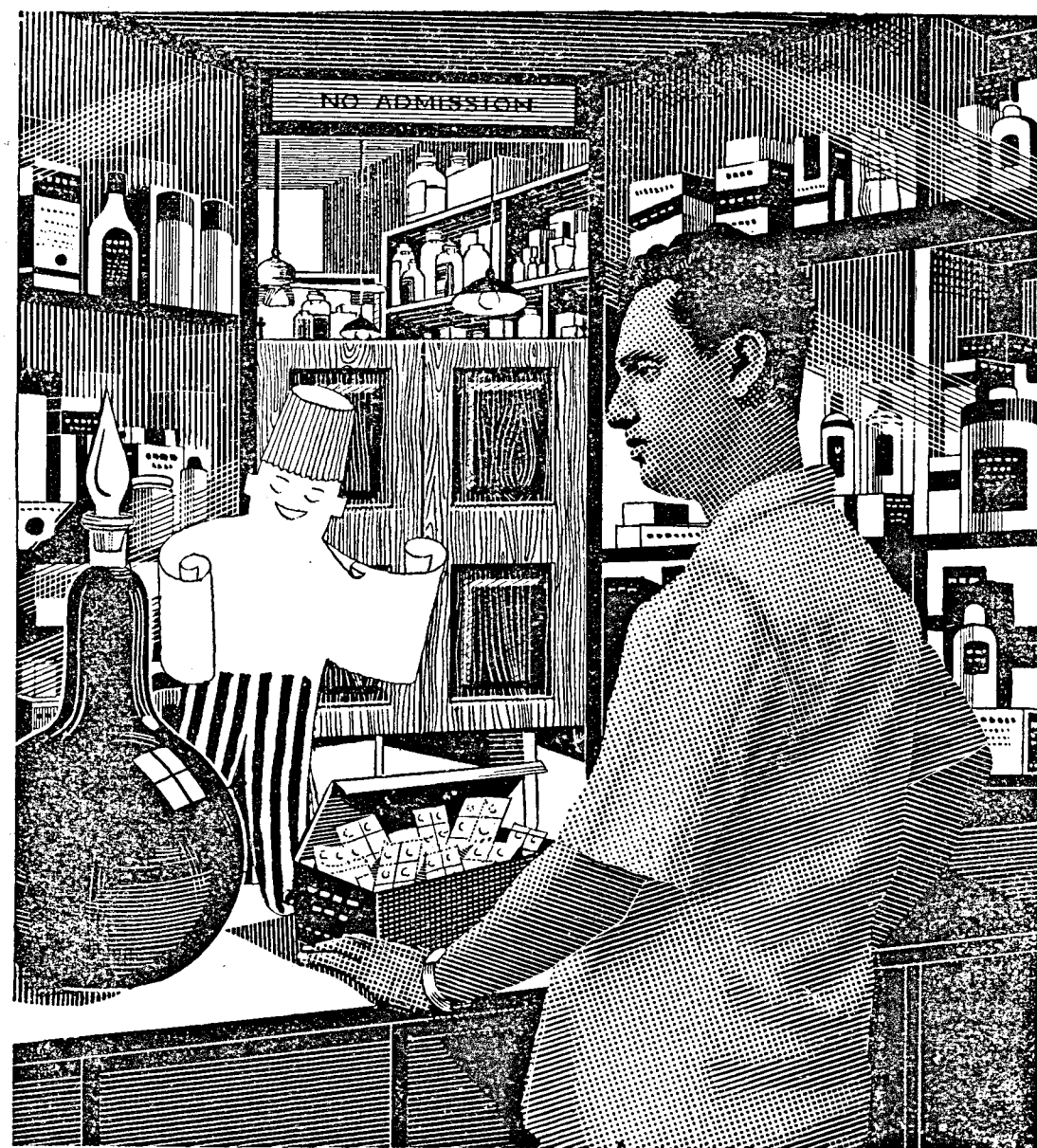
ten years classified under developmental and non-developmental expenditure.

Expenditure on developmental and social services, which means all public expenditure of a recurring kind incurred on social and economic overheads (and, of course, excludes the much larger volume of capital expenditure) rose steadily from 30.8 per cent of total public expenditure during the first year of the First Five Year Plan period to 44.4 per cent during the last year of the Second Five Year Plan period. These ten years also saw a rise in the proportion of national income used for such public expenditure from 2.4 per cent to 5.7 per cent. The increase in the absolute figures of this expenditure was as much as 246 per cent.

While it is a matter for satisfaction that public expenditure during the period showed this decisive trend towards an increase in the share

Table 1 : Tax Revenue of Central and State Governments

Year	National income (in million Rs)	Total of Central & State tax receipts (in million Rs)	Percentage of tax receipts to national income
1951-52	99,700	7,387	7.4
1952-53	98,200	6,778	6.9
1953-54	1,04,800	6,723	6.4
1954-55	96,100	7,204	7.5
1955-56	99,800	7,675	7.7
1956-57	1,13,100	8,917	7.9
1957-58	1,13,900	10,476	9.2
1958-59	1,26,000	10,898	8.6
1959-60	1,28,400	12,199	9.5
1960-61	1,45,000	12,911	8.9



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going to developmental and social services, its effect on redistribution of personal incomes also turns on the nature of the taxation raised to finance this expenditure. Table 3 summarises the position for the first and last years of the ten year period.

The Table reveals a decline in the importance of direct taxation and an increase in that of indirect taxation. As taxes on income and property constitute the really progressive element in public finance, it appears that the transfer of income from the private to the public sector has been more at the expense of the consumption of the poor than that of the well-to-do. It is true that taxes on commodities and services also contain an element of progression in so far as they fall on luxury consumption, but this does not upset the conclusion that while the bulk of the incidence of commodity taxation has been on the real surplus of the well-to-do classes, in the case of masses, it has been at the cost of their basic consumption. In any case, restriction on the consumption of the poor has been playing an important role in the financing of the social and economic overheads created by the state during the ten years of planning.

The declining importance of direct taxation in the financing of public expenditure on economic development is borne out even more clearly when we look at the growth of the income assessed to income tax and compare it with the growth of the direct taxes paid by them, both as a proportion of national income (See Table 4). Income assessed to income tax has grown as a proportion of national income; but the income tax it pays has actually declined as a proportion of national income. This conclusion is not upset even if we take into account the new direct taxes on income and property levied mainly during the Second Plan period. (See Table 5)

The highest yield of these new taxes is in 1959-60, when it comes to 0.13 per cent of the national income of that year. Adding this to the proportion of national income paid as income tax, the figure comes to 1.92 per cent which is still below the percentage reached in the first two years of the Plan period. At best, we can say that the total of all direct taxes as a

Table 2 : Central and State Governments' Expenditure

Year	(In million Rs)			
	Central & State expn—developmental & non-developmental	Central & State expn—developmental & on social services	% of developmental & social expn to total expn	% of developmental & social expn to national income
1951-52	7740	2387	30.8	2.4
1952-53	8198	2571	31.4	2.7
1953-54	8616	2862	33.2	2.7
1954-55	9271	3270	35.3	3.4
1955-56	10655	4389	41.3	4.4
1956-57	11280	4953	43.9	4.4
1957-58	13152	5402	41.1	4.7
1958-59	14406	5988	41.6	4.8
1959-60	16058	7024	43.7	5.7
1960-61	18588	8261	44.4	5.7

Note : Developmental and social services referred to in col 3 include education, medical and public health, agricultural, veterinary and cooperation, irrigation, electricity schemes, rural and community development projects, civil works, industries and supplies, multipurpose river schemes, scientific departments, national extension service, labour and employment, aviation, broadcasting, ports and pilotage, lighthouses and lightships and miscellaneous departments.

Table 3 : Composition of Tax Receipts

Taxes on	(In million Rs)			
	1951-52		1960-61	
	Receipts	% of total	Receipts	% of total
Income & property	2448	32.6	3866	29.5
Commodities & services	4457	59.3	8232	62.7
Transactions	274	3.6	445	3.4
Others	339	4.5	576	4.4
Total	7518	100.0	13119	100.0

Table 4 : Receipts from Direct Taxation as Proportion of National Income

Year	(In million Rs)				
	National Income	Income assessed to income tax	Receipts from income tax	% of col 3 to col 2	% of col 4 to col 2
(1)	(2)	(3)	(4)	(5)	(6)
1951-52	99700	7829	1959	7.9	1.96
1952-53	98200	7116	1996	7.2	2.03
1953-54	104800	7813	1904	7.5	1.82
1954-55	96100	7600	1775	7.9	1.85
1955-56	98800	7849	1819	7.9	1.84
1956-57	113100	9357	2166	8.3	2.00
1957-58	113900	10105	2222	8.9	1.95
1958-59	126000	11727	2538	9.3	2.01
1959-60	128400	11921	2301	9.3	1.79
1960-61	145000	N.A.	2650	N.A.	1.83

Table 5 : Receipts from New Direct Taxes Levied Mainly during Second Plan

Year	(In million Rs)				
	Estate Duty	Expenditure tax	Tax on wealth	Gifts tax	Total
1953-54	nil	nil	nil	nil	nil
1954-55	8.1	nil	nil	nil	8.1
1955-56	18.1	nil	nil	nil	18.1
1956-57	21.1	nil	nil	nil	21.1
1957-58	23.1	nil	70.4	nil	93.5
1958-59	27.0	6.4	96.7	9.8	139.9
1959-60	29.1	7.9	121.1	8.1	166.2
1960-61	30.0	9.0	75.0	8.0	122.0

1375



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proportion of national income paid by those whose incomes are assessed to income tax is stationary over the ten year period, while the proportion of national income received by this class has been rising. This is perhaps in line with the economies of growth, though it is doubtful if it is equally consistent with the social objectives of planning.

Agricultural Incomes

Incomes assessed to income tax cover only non-agricultural incomes. Agricultural incomes are not subject to income tax or any of the direct taxes imposed by the Centre. They are subject to land revenue which is levied mostly on a flat rate on land, subject to differences in productivity per acre, while the higher incomes among them pay an agricultural income tax that has a mild degree of progression. It is difficult to compare the incidence of direct taxes on comparable levels of agricultural and non-agricultural income. But from certain rough calculations that I have been able to make, it is my guess that agricultural households with incomes exceeding Rs 2500 a year were paying by way of direct taxes (including both land revenue and agricultural income tax) about 5 per cent of their income, whereas other households with non-agricultural income exceeding Rs 3000 a year were paying about 14 per cent of their income as direct taxes. It is also likely that the income of this better-off agricultural class has been increasing during the last ten years as a proportion of total agricultural income. What seems clear is that the better-off among the agricultural classes are not making a proportionate contribution to the financing of public expenditure on social and economic overheads anywhere comparable to that which is being made by the corresponding income ranges in the non-agricultural sector. May be this is a factor operating in the promotion of economic growth in the agricultural sector, but it does raise grave question of equity in incidence of taxation between different sections of the community.

For the class paying income tax and other direct taxes on non-agricultural income, taxation has been progressive and does have the effect of reducing inequalities within the income ranges constituting this class. This is seen from Table 6

total incomes of individuals assessed to income tax in different income ranges before and after the payment of income and super taxes.

Table 6: Proportion of Incomes of Individuals Assessed to Income Tax in Different Income Ranges before and after Payment of Taxes

Annual income (in Rs)	Proportion of total assessed income	
	Before tax	After tax
3,001-5,000	15.36	17.47
5,001-10,000	27.20	30.38
10,001-12,500	8.39	9.13
12,501-15,000	6.44	6.89
15,001-25,000	6.23	6.26
25,001-40,000	10.56	9.71
40,001-70,000	8.31	6.47
70,001-100,000	3.05	1.93
100,001-200,000	2.94	1.48
Above 200,000	2.53	0.87

The figures are given for 1959-60, which is the latest year for which data is available. The distribution pattern has changed in favour of incomes below Rs 20,000 which constitute 73.3 per cent of total income after tax as compared to 66.4 per cent before tax; while incomes above Rs 25,000 a year constitute only 20.5 per cent after tax as compared to 27.4 per cent before tax. The fall in the proportion of income after tax increases progressively with every income range after Rs 25,000.

Redistributive Effect

The position regarding the redistributive effects of the income tax is however not so satisfactory from the egalitarian angle when viewed over a period of years. If we take the individual assesses among the income-tax-paying class and look at their income and tax position as compared to that of the remaining individuals in the country, we find that whereas their share of the national income has been rising over the nine years ending 1959-60 (data is not available for 1960-61), the proportion of their income paid as tax has been declining over the same period (See Table 7).

Individuals paying income tax increased their share of the national

income from 4.77 per cent in 1951-52 to 5.78 per cent in 1959-60, while the proportion of their income paid as tax declined from 16.9 per cent to 13 per cent during the same period. Taxation, therefore, did not adversely affect individual income tax payers as a class vis-a-vis the rest of the community. Nor did it bring about a secular change in an egalitarian direction. This is clearly shown by Table 8 which gives figures of the percentage loss or gain of the share in total income of each group in 1951-52 and 1959-60.

Table 8: Total Gain (+) or Loss (—) of Share in Income on Account of Tax

Range of income	(Percentage points)	
	1951-52	1959-60
3001-5000	+3.18	+2.11
5001-10000	+4.14	+3.18
10001-12500	+0.86	+0.74
12501-15000	+0.47	+0.45
15001-20000	+0.37	+0.42
20001-25000	+0.12	+0.03
25001-40000	—0.64	—0.85
40001-70000	—1.55	—1.84
70001-100000	—1.15	—1.12
10001-200000	—2.04	—1.46
Above 200000	—3.76	1.66
Total	+9.14	+6.90

The general conclusion emerging from this note is that the redistribution of income effected by taxation between the private and public sector was not such as to discourage either investment or enterprise on the part of the individuals whose initial incomes allowed them to do so. Moreover, the income transferred to the public sector was increasingly used for the financing of economic and social overheads which, in turn, increased the opportunities for investment, enterprise, and earnings in the private sector. Clearly, the redistribution effected by the Indian tax system was not killing the goose that was laying the golden eggs. On the other hand it gave them discreet encouragement and was probably conducive to the promotion of economic growth.

Table 7: Income of Individuals Assessed to Tax as Proportion of National Income

Year	Assessed income Tax		Income as a proportion of national income	Tax as a proportion of assessed income
	(In million Rs)			
1951-52	4755	803	4.77	16.9
1952-53	4257	775	4.34	18.2
1953-54	4704	752	4.49	16.0
1954-55	4693	730	4.85	15.6
1955-56	5005	794	5.01	15.9
1956-57	5548	876	4.88	15.9
1957-58	6050	903	5.78	14.9
1958-59	6924	942	5.49	13.6
1959-60	7422	965	5.78	13.0

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A MESSAGE

As Industry expands, and becomes more complicated both by reason of its size and by reason of the introduction of technology, the role of Management Personnel becomes more onerous. While machines can be kept under control once the technique of handling them has been mastered, the men and women who labour in factories do not lend themselves so easily to management by rules. The handling of human beings calls for much tact, skill and above all, sympathy—sympathy not so much with them as individuals but with their needs and requirements as dictated by the circumstances in which they function.

It is therefore imperative that the persons who are chosen to manage and get the best out of workers should themselves first be trained in the art and science—for it is both—of management. I, therefore, welcome the efforts of the Bombay Labour Bureau. On Management Executives devolves the delicate and difficult task of extracting the maximum out of industrial units without at the same time straining them too much—without, in a word, killing the goose that lays the golden eggs.

Hon'ble Shri Y. B. Chavan,
(Chief Minister, Maharashtra)Around Bombay Markets**Dalal Street Despondent**

Thursday, Morning

DALAL STREET last week beat a further retreat which was more in the nature of a rout than a retreat. It is not merely that most counters fell to new low levels but the decline was of a panicky nature. Except for Tuesday, 22nd August, when equities staged a small rally, the market depicted a very diffident tone throughout the week. Nothing seems to cheer the market. A few prominent bears are known to have a firm hold over the market. The magic of fluctuations is fully at work. Bulls have been virtually liquidated. Calcutta has already hoisted the red signal. The stock exchange authorities there have found it necessary to impose margin on sellers in four leading scrips on the forward list—Indian Iron, Hindustan Motors, Burrakar Coal and Rohtas Industries. This has failed to impart any steadiness to the market; instead it has diverted the selling pressure from Calcutta to Bombay because Indian Iron and Hindustan Motors occupy the pride of place among Bombay's forward scrips. Margins on inter-market counters need to be imposed on an all-India basis if they are to have any significant effect on the market situation.

There can be little doubt that the Bombay market is in a highly oversold position. Friday's carry forward charges worked out to a mere 5.1 per cent which is a record low for a long time. The general average budla rate at the end of the previous settlement was 6.4 per cent and it stood as high as 13 per cent about the middle of March. Conditions in the money market alone cannot explain the wide variations in the budla rates. Neither the encouraging corporate news nor the fall in the budla rate to a record low level has had any effect on the trading sentiment which only underlines the feeling of despondency that pervades the stock market. Few talk of the likely increase in the economic tempo resulting from the huge investment outlay in the third Plan. Most market men are now talking of the Berlin crisis and the explo-

sive political situation in the Punjab because of Master Tara Singh's fast. Impending elections are regarded as another obstacle in the way of recovery. Sentiment near the week-end was adversely affected by the marked increase in deliveries of shares for the August 28 clearing. The number of shares delivered totalled 7.28 lakhs as against 4.96 lakhs in the August 7 clearing. The total value of shares marked for delivery showed a rise of about 20 per cent at Rs. 292.5 lakhs. The marked increase in deliveries does not reflect any change in the basic assessment of the outlook for equities. It is attributable entirely to the marked decline in prices and the unattractive budla rates at the turn of the last settlement.

Uncertainties

There are many uncertainties in the economic and political situation which obscure the outlook for equities, but their implications can be easily exaggerated when the market is in a despondent mood. The end of the current downward phase, which has encouraged some technical analysts to talk of a bear market, is not yet in sight. However, it is good to bear in mind that Dalal Street has already lost nearly 62 per cent of the ground gained during the earlier half of the year. Vyapar's equity share index dropped to a new low of 135.91 on 23rd August which it takes it well below the April bottom of 138.36 and brings it nearer to the January low of 127.11. Wednesday's kerb dealings indicated that the market is utterly

demoralised. Indian Iron were marked down to a new low of Rs 24.84, Tata Steel to Rs 149.50, Hindustan Motors to Rs 18.82, National Rayon to Rs 521 and Telco to Rs 331.

Cotton**Further Deshi Quota Soon?**

WHILE hardly 3,000 bales are said to have been sold out of the 30,000-bale export quota for cotton stapling 3/4 inch and below, the ceiling for the Bengal Deshi quota for a like quantity was reached on the 17th August, that is, within a fortnight of the acceptance of the shipping bills. Of the 28,500 bales earmarked for established shippers, the U S and Japan are reported to have purchased about 10,000 bales each and the remaining 8,500 bales have been sold to the Continent. Since there still exists a substantial exportable surplus, the East India Cotton Association has asked the authorities to release a further quota for 25,000 bales. The trade had suggested that Bengal Deshi might be allowed to be exported under the quota for 3/4 inch cotton which is extremely difficult to market abroad. This suggestion has not found favour with the E I C A presumably because the quota for 3/4 inch cotton had been intended primarily to impart strength to Gujarat cotton. That Bengal Deshi prices should have declined by Rs 150 to Rs 175 per candy (784 lbs) despite the export of 28,500 bales vindicates trade's stand that there exists a substantial exportable surplus. The authorities responsible for framing and admi-

Important Price Movements in Shares

Important Prices at Various Periods								
Shares	January 1961		March-April		Subsequent		June-July	Recent
	Low	High	Low	High	Low	High	Low	Low
Bombay Dyeing	58.50	68.50	63.30		71.90		65.10	
Century	446.00	599.00	564.00		740.00		662.00	
Kohinoor	259.50	318.00	285.00		327.00		280.50	
Standard Mills	957.00	1680.00	1445.00		1585.00		1292.00	
Svadeshi	218.50	275.00	254.50		287.50		245.00	
Indian Iron	23.00	27.65	26.10		28.70		24.92	
Tata Steel	138.00	156.25	145.00		167.00		150.50	
Scindia	14.20	16.16	14.00		15.56		12.16	
Hindustan Motors	18.68	22.32	19.36		23.68		19.16	
Premier Auto	157.50	186.50	164.75		178.00		154.50	
Bombay Burmah Old	539.50	637.00	594.50		666.50		579.50	
National Rayon	460.50	560.00	500.50		591.00		525.00	
Tata Chemicals	16.56	21.12	18.72		20.88		17.12	
Tata Engineering	278.00	351.00	322.00		390.00		334.50	
Volta	247.00	301.00	169.25		319.00		278.50	

nistering the cotton export policy cannot escape the blame for causing a heavy loss of foreign exchange to the country. Bengal Deshi, extra superfine, which has been sold around 17½ d a lb, recently had fetched as much as 27 d in December when the first export quota was announced. The supply position of Deshi was fully known by then and the exportable surplus of Deshi has very little to do with the overall supply position of cotton in the country. The trade's criticism of the cotton export policy and its administration merits serious consideration. The country can ill-afford to suffer any avoidable loss of foreign exchange.

Business in the spot cotton market continues to be on a restricted scale which is quite normal for this time of the year. Trading in new crop delivery contracts has not yet been permitted. Futures were dull but steadier. The new crop March contract moved irregularly up from Rs 589.25 to Rs 595.75 and wound up the week at Rs 593.75. Improvement was caused by short covering as well as fresh bull support induced partly by technical considerations and partly by the not-so-satisfactory reports about the weather in certain important producing areas. Khandesh and Marathwada have been complaining about excessive rains and weather conditions and other places have also been far from being ideal. It is too early to form any idea about the size of the new crop but few people expect it to be as good as the 1960-61 crop. Bulls alone will feel happy at the prospect of a poor crop.

Consumption

Mill consumption of Indian cotton in June amounted to 3.78 lakh bales against 3.61 lakh bales in May and 3.38 lakh bales in June 1960. The June figure — the highest for the current season — brings the consumption of indigenous cotton in the first 10 months of the season to 34.56 lakh bales as against 37.34 lakh bales in the corresponding period last season. Consumption of foreign cotton in June amounted to 0.85 lakh bales, raising the September-June total to 9.51 lakh bales compared to 4.91 lakh bales in the same period last season. The total quantity of foreign cotton licensed for import since the beginning of the season to 5th August is placed at 1,102,929 bales of which the U S

cotton accounts for 7.76 lakh bales and out of this cotton stapling 1 inch and below amounts to as much as 6.40 lakh bales. Imports from sterling area countries total 326,344 bales of which East Africans account for 116,665 bales, Sudanese 83,221, Egyptian 82,208 and others 44,250 bales. Actual arrivals up to 5th August amount to 927,310 of which the U S cotton accounts for 586,618 bales.

The Jarilla August contract, the second and the last contract of the 1960-61 season, went off the board on 23rd August at the cut-rate of Rs 645 fixed by the Board of the East India Cotton Association. Tenders issued against the contract totalled 1750 bales consisting of 600 bales of Ankleswar, 550 bales of Laxmi A, 200 bales of Berar Jarilla, 100 bales each of Cambodia B, Cambodia C and Surti and 50 bales each of Jaydhar A and Buri American. Opening at Rs 588 on 27th February, the August contract rose to Rs 604.50 on 20th March, declined gradually to a low of Rs 561.25 on 18th April and recovered to 586 on 21st August before going off the board at the spot rate of Rs 645 on 23rd August.

Oilseeds

Steadier but Irregular

GROUNDNUT futures (January contract) which had been sold down to Rs 214.25 in the preceding week were marked up to Rs 219.87 last week and Wednesday's closing rate of Rs 218.50 showed a net rise of about Rs 2 per 250 kgs. Apart from technical considerations which favoured a rally, sentiment last week was influenced by reports of likely damage to the crop in Saurashtra and Andhra due to insects. Inquiries with the trade indicate that fears of crop damage are exaggerated. Weather has continued to be quite satisfactory up to now and if it continues to oblige during the next two months, the new crop might well exceed last season's crop by about 6 lakh tons. A crop of 27 lakh tons is widely forecast and there are not a few who think it might turn out to be around 30 lakh tons. Record high prices realised in 1960-61 have brought about a marked increase in the acreage under groundnut. This should have a sobering effect on the prices of groundnut and other oilseeds. But in view of growing internal consumption and a meagre carryover it is doubtful whether the

anticipated large crop can produce any serious and lasting decline in prices. Certainly, it would be much too much to expect Indian prices to come down to world parity. The export outlook for Indian oils seems dismal, especially because other countries continue to market their goods abroad without any consideration for domestic prices.

About Castor

While groundnut recorded fair improvement over the week, castor futures were slightly down. The distant March contract which had improved from Rs 170.75 to Rs 172.50 earlier in the week declined quickly to Rs 169.75 at the week-end. Early recovery was caused by some anxious short covering and renewed bull support induced presumably by the downward revision of the final estimate of Brazil's castorseed crop by the U S Department of Agriculture. But the rally could not be sustained for long due to lack of follow-up support on account of the continued disappointing export performance. Export business in castor oil consisted only of a few odd lots sold now and then to the U K. The U S continues to keep off the Indian market, its requirements being fully met by Brazil. Exports of castor oil from Brazil have not been affected by the marked rise in internal prices there. This is because exporters of castor oil in Brazil are allowed to convert their foreign exchange earnings into cruzeros at the open market rate which is around 230 cruzeros to a U S dollar against the official rate of 18.50 to 19 cruzeros. It is feared that castor oil exports from India to the U K might suffer considerably when the U K enters the European Common Market. The U K quotations for Indian castor oil around £ 130 for BSS and £ 121 for Commercial were about £ 1½ to £ 2 per ton below the Indian parity. Export business put through during the week consisted almost entirely of groundnut extractions. The U K and some of the Communist countries were reported to have purchased substantial quantities of extractions but the prices realised were about 10 shillings a ton lower than in the preceding week. The U K quotation for September shipment was mentioned around £ 31 and October-December position was quoted around £ 30-5. The U K was

also reported to have bought small quantities of linseed cake around £ 32-10 per ton. Linseed September rose from Rs 39.56 to Rs 40.87 (per 50 kgs.) but later receded to close at Rs 40.12. The new crop March contract rallied from Rs 37.56 to Rs 38.31 but eased later to around Rs 37.69. Cottonseed March improved from Rs 91.75 to Rs 93.50 but drifted lower to Rs 92.50 at the week-end. The September contract, however, showed a net loss of Rs 2 per 250 kgs. over the week at Rs 93.50.

Bullion

Spot Discounts Fall

TRADING in bullion futures last week was quite an unexciting affair. Fluctuations were irregular and closing prices showed only mi-

Company Notes

TISCO'S RESULTS DISAPPOINTING

THE performance of the Tata Iron and Steel Co Ltd during the year ended March 31, 1961 has been disappointing by all accounts. Even after two years of operation of the modernised and enlarged plant, production has not recorded any notable increase, the gross profit has gone up by only a meagre extent and the profit-margin has declined. After making larger allocations to depreciation and plant rehabilitation and development rebate reserve, there is, in fact, a net loss which has had to be wiped out by dipping into the reserves and the dividend has had to be paid out of reserves.

The production of steel rose by no more than 26,000 tonnes or 2.1 per cent to 1,263,000 tonnes, while despatches increased by hardly 7,000 tonnes or 0.6 per cent to 1,252,000 tonnes.

The gross sale proceeds were lower at Rs 85.43 crores, compared to Rs 86.69 crores for the previous year, but the net sales show an increase of Rs 5.64 crores at Rs 79.10 crores on account of the fall in rebates payable to Government under steel control.

The gross profit for the year under review at Rs 19.59 crores represents an increase of Rs 5.44 crores over the year. A large part of this rise is accounted for by adjustment in retention prices for the five-year

nor variations from the previous week-end levels. After rising from Rs 123.15 to Rs 123.50 gold Bhadrava delivery eased to Rs 122.75 but rallied to Rs 123.25 before winding up the week at Rs 122.80. Silver Bhadrava rose from Rs 203.15 to Rs 203.40, reacted to Rs 202.90 but advanced quickly to a new high of Rs 204.20 and closed at Rs 203.55. Activity in futures continued to be predominantly professional and of a jobbing nature. Outside interest was poor. Improved spot demand and reduced arrivals induced buying at small setbacks. There was an appreciable decline in the discount on the spot material. The discount in silver dropped from 60 nP to 20 nP per kg. and that in gold from 40 nP to 15 nP per 10 grams.

standard is ridiculously poor. This surplus is just enough to cover the preference dividend liability and leaves hardly anything to the ordinary shareholders. The shareholders could certainly not have bargained for such a performance when they put in an additional capital of Rs 8.32 crores two years ago.

Even the net surplus of Rs 5.67 crores has turned into a net loss of Rs 1.35 crores after writing off the loss of Rs 58 lakhs on revaluation of Deutsche Marks and Netherlands Guilders and providing Rs 6.44 crores for plant rehabilitation and development rebate reserve, against a surplus of Rs 1.36 crores for 1959-60 when a sum of Rs 4.14 crores was transferred to the latter reserve.

Dividend

The directors have had to draw upon the General Reserve No 2 to the tune of Rs 1.27 crores and on the small surplus of the previous year to wipe out the loss. Despite the disappointing results, the directors have thought fit to step up the distribution on the equity shares by a small cash bonus of 45 nP per share to Rs 7.25 per share. The entire preference and ordinary dividends amounting to Rs 4.65 crores are, therefore, being met out of general reserve, bring the total amount drawn from the reserves to Rs 5.92 crores. In the last three years the reserves have been whittled down by no less than Rs 10.41 crores, nearly all that the company had put by to the general reserves since 1939-40. There has, however, been a net addition of Rs 14.04 crores in the amount retained in business during the year 1960-61, of which depreciation accounts for Rs 13.92 crores.

Notwithstanding the disappointing performance during the year the company has been able to improve its ways and means position. It has strengthened its reserves by Rs 57 lakhs to Rs 27.66 crores and reduced its borrowings by Rs 8.03 crores to Rs 69.04 crores. There has been a repayment of Rs 5.19 crores against the two World Bank loans. This reduction could be effected as a result of the refund of income-tax amounting to Rs 2.10 crores and the severe

August 26, 1961

restriction on further capital expenditure.

Net Worth

The additions to the fixed assets during the year amount to Rs 14.72 crores raising the total cost thereof to Rs 185.52 crores. The depreciation provided so far is Rs 68.76 crores, leaving a net block of Rs 116.76 crores. The investments at Rs 8.85 crores and current assets at Rs 38.48 crores do not show any notable variations. The current liabilities are higher by Rs 1.39 crores at Rs 28.42 crores. The net worth at Rs 66.64 crores is represented by a paid-up capital of Rs 38.97 crores and reserves and surplus of Rs 27.67 crores. After deducting the preference capital, this net worth at Rs 55.23 crores is equivalent to Rs 150.30 per equity share and at the current market value of about Rs 151 the shares are fully priced.

What is more distressing to the shareholders than the performance during 1960-61 is the prospect that the company will not be able to achieve full production of 2 million tons of ingots or 1½ million tons of finished steel for another two years, unless the required quantities of improved raw materials are fed to the plant. If, as Mr J R D Tata, the Chairman, says in his statement, the Government's coal washery at Bhojudih had been in operation during the past year, there would have been a marked improvement in the company's output and costs and consequently in the financial results for the year under review.

The future profit-earning capacity and prospects of the company largely depend on the availability of coal with less ash content in larger quantities and the fixation of retention prices with reasonable margins built into them for any unforeseen contingencies.

A C C — VICKERS — BABCOCK LIMITED

AN important milestone in the history of the Associated Cement Companies Limited was the formation of ACC-Vickers-Babcock Limited in January 1959, in collaboration with Vickers Limited and Babcock & Wilcox Limited, two world-renowned British Companies. ACC holds 49.8 per cent of the Equity Capital

of the Company, and Vickers and Babcock together hold a further 49.8 per cent of the Equity Capital. The total investment in this Project (including borrowed capital) will exceed Rs 10 crores.

ACC-Vickers-Babcock Ltd (AVB) has been formed with the object of setting up a plant at Durgapur, West Bengal, for manufacturing Cement making Machinery, Mining Equipment and 'Babcock' Steam Raising Plant. It will make a considerable contribution towards the targets set by the Government for the manufacture of this equipment under the Third Five-Year Plan. Remarkable progress has been made since the formation of AVB. The construction of the works is well ahead of schedule and production is expected to start soon.

Machinery and Equipment

The Workshops, designed on modern lines by Messrs Balfour Beatty & Co Ltd, a firm of British Consultants, have been built partly from Indian steel and partly from steel imported from the U K. The Shops are equipped with electrical overhead travelling cranes, three of which have a lifting capacity of 70 tons each. All the Shops have been designed so that there is room for progressive expansion.

A large number of the machine tools are being supplied from the U K. These will include a 3,000 ton Hydraulic Press capable of bending steel plates up to five inches thick, for use in the manufacture of high pressure boiler drums, heat exchangers and pressure vessels for the fertiliser, chemical and oil refining industries. The 22-ft vertical borer which is being installed will be one of the largest of its kind in India.

Since the manufacture of boilers involves the most advanced welding techniques, the latest equipment required for the purpose is being installed. Also being installed is X-Ray Equipment operated by 1,000 curies of high intensity cobalt '60' and capable of penetrating six inches of steel. A large annealing furnace, 22' x 56' is being supplied from the U K. This furnace will be used for stress relieving not only welded boiler drums and pressure vessels but also welded shells of tube mills and rotary kilns.

THE ECONOMIC WEEKLY

AVB has acquired Babcock & Wilcox India Limited, which Company will be responsible for the erection and servicing of boiler plants and pressure vessels manufactured by A V B.

The Company has, in addition to other orders, obtained an order for the supply of four water tube boilers to the Government of Maharashtra for the Power Station at Kharperkhada. These will be the Babcock Radiant-type boilers fired by automatic spreader-stokers with a total steam-raising capacity of 3,26,000 kilograms per hour at 62 kilograms per sq cm with a superheated steam temperature of 496°C. At least 20 per cent of this order will be manufactured in India, the balance being imported from the U K. This order will provide the Workshops of A V B with an initial load. Subsequent orders will contain a much higher percentage of components manufactured in India.

AVB has also secured orders for the manufacture of cement making machinery. This machinery will be manufactured according to designs developed by AVB in collaboration with ACC and Vickers Ltd and by adopting the designs of the Fuller Company of America for certain specialised items.

After the completion of the first stage of the project some 1,500 persons will be employed and they will be housed in a self-contained garden city. Over 600 quarters are under construction of which the smallest for the lowest-grade artisan will contain a living room, a bedroom, a kitchen and a separate lavatory and bathroom. All the quarters will be provided with running water, electricity and modern drainage.



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THE ECONOMIC WEEKLY

CURRENT STATISTICS

BANKING RETURNS

(Rs crores)				
Reserve Bank	Aug 18	Aug 11	July 21	Aug 19 '60
1 Note circulation	1899.86	1913.27	1911.95	1796.39
2 Rupee coin	123.99	122.76	122.18	130.96
3 Deposits	343.74	356.95	300.30	318.62
(a) Central Govt	83.03	60.69	53.02	65.73
(b) Other Govts	13.17	13.89	31.35	29.51
(c) Banks	87.93	80.04	103.46	122.17
(d) Others	159.61	202.33	112.56	101.20
4 Foreign securities	116.86	116.86	93.01	123.01
5 Balance abroad	29.52	31.96	8.47	21.74
6 Rupee securities	1553.49	1563.42	1597.05	1446.62
7 Investments	274.57	289.47	248.88	247.62
8 Loans and advances to Govts	52.40	47.59	40.65	35.39
9 Other loans and advances	116.87	117.38	113.60	118.58
Scheduled Banks	Aug 11	Aug 4	July 14	Aug 12 '60
1 Aggregate liabilities	1865.59	1863.67	1859.81	1969.11
2 Aggregate deposits (net)	1790.41	1787.90	1783.46	—
(a) Demand (net)	710.18	712.59	720.08	765.80*
(b) Time (net)	1080.23	1075.31	1063.38	1203.31†
3 Cash in hand	44.88	45.99	47.04	45.13
4 Balance with Reserve Bank	75.80	78.88	90.86	110.16
5 (3)+(4) as % of (1)	6.47	6.70	7.41	7.89
6 Borrowings from Reserve Bank	3.46	2.19	4.85	23.35
(a) Against usance bills and/or promissory notes	1.80	0.76	3.42	10.90
(b) Others	1.66	1.43	1.43	12.45
7 Advances	1086.82	1085.13	1102.19	969.09
(a) State Bank	235.50	234.18	245.58	192.46
(b) Others	851.32	850.95	856.61	776.63
8 Bills discounted	106.91	109.12	113.51	102.26
(a) Inland	42.54	44.01	42.89	47.81
(b) Foreign	149.45	153.13	156.40	150.07
(c) Total	13.50	13.88	14.09	12.42
(i) State Bank	135.95	139.25	142.31	137.65
(ii) Others	66.27	66.44	67.67	56.84
9 (7) + (8c) as % of (1)	582.52	591.30	551.06	733.17
10 Investment in Govt securities	241.09	251.41	225.54	374.12
(a) State Bank	341.43	339.89	325.52	359.05
(b) Others	31.22	31.73	29.63	37.23
11 (10) as % of (1)	204.20	210.28	204.50	178.32
Cheque clearance	204.20	210.28	204.50	178.32
* 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 cent per annum)

(Selected Scheduled Banks other than the State Bank)				
	Aug 11	Aug 4	July 14	Aug 12 '60
Call Money				
from banks	2.95	2.00	3.84	3.51
Deposits:				
Seven days	3.00	3.00	3.00	3.31
Three months	—	—	—	3.50
Six months	3.73	3.75	3.75	3.49

Bombay Bullion

(Rs and nP)

	Aug 23	Aug 17	July 27	Aug 25 '60
Gold (per 10 grams)				
Spot	122.65	122.85	120.45	115.24
Forward	122.80	123.45	120.25	114.54
Silver (per kilogram)				
Spot	203.35	202.50	201.00	192.31
Forward	203.55	203.10	201.30	192.31

INDEX NUMBER OF WHOLESALE PRICES

(Base : 1952-53=100)

	Week Ended			
	22-7-61	15-7-61	24-6-61	23-7-60
Food Articles	125.6	125.0	122.2	124.8
Cereals	104.7	104.4	102.8	109.9
Pulses	91.3	91.3	91.9	95.8
Fruits & Vegetables	152.9	145.2	132.9	130.1
Milk & Ghee	122.7	122.0	125.2	122.7
Edible Oils	165.4	166.0	165.3	150.5
Fish, Eggs & Meat	144.9	138.9	131.2	126.6
Sugar and Gur	123.6	123.6	126.4	139.1
Others	185.0	186.5	182.9	168.7
Liquor & Tobacco	99.5	98.2	98.6	109.0
Tobacco	95.9	94.5	95.0	107.5
Fuel, Power, Light & Lubricants	121.5	121.4	121.5	119.8
Industrial Raw Materials	154.4	153.5	150.4	136.7
Fibres	157.4	158.7	151.9	128.3
Oilseeds	168.1	164.7	163.5	152.1
Minerals	95.2	95.2	95.2	98.2
Others	126.7	126.5	126.4	126.4
Manufactures :	127.5	127.5	126.0	121.5
Intermediate Products	141.9	142.5	140.7	131.8
Finished Products	125.2	125.0	123.6	119.8
Textiles	127.5	127.2	125.3	121.1
Cotton	126.6	126.3	126.3	130.6
Jute	134.0	133.4	126.6	106.7
Woollen	123.1	123.1	123.7	110.1
Silk & Rayon	119.1	119.1	116.5	102.7
Metal Products	147.1	147.1	147.1	146.8
Chemicals	110.4	110.7	109.4	103.3
Oil cakes	146.4	147.2	145.2	139.1
Machinery & Transport				
Equipment	112.7	112.7	112.7	111.5
Others	120.8	120.8	120.3	115.8
All Commodities	129.9	129.5	127.2	125.2

INDUSTRIAL DISPUTES IN INDIA

(Numbers)

	Disputes	Workers involved	Working days lost
1961 : March	124	42,890	279,037
Feb	88	34,342	270,295
Jan	96	34,567	205,796
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
July	125	168,407	748,651
June	154	65,783	390,425
May	127	37,675	414,789
Apr	92	47,770	331,511
Mar	125	47,700	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 : Labour Bureau, Ministry of Labour and Employment, Government of India.

PRODUCTION OF PETROLEUM AND PETROLEUM PRODUCTS

(Monthly Average or Calendar Months)

(Metric tons)

	Crude Petroleum	Petroleum Products						
		Light Distillates	Kerosenes	Diesels	Lubricants	Bitumen	Heavy ends	Other Products
1961 : February	35,591	54,570	73,918	117,840	2,104	32,782	170,481	4,652
January	39,608	71,183	47,264	84,919	2,228	34,786	81,766	5,920
1960 : December	40,196	97,915	79,628	146,873	2,087	40,572	120,435	6,247
November	38,862	89,254	83,714	140,587	2,260	36,414	123,172	5,484
October	40,316	10,531	79,112	131,305	1,820	34,901	147,518	5,564
Sept	38,754	75,299	76,407	146,112	1,020	30,661	147,870	5,258
August	32,723	90,030	82,077	139,874	1,888	35,845	151,756	4,975
July	34,275	97,807	78,418	126,250	1,333	33,810	149,844	5,571
June	38,202	78,464	75,545	123,406	2,108	33,731	139,355	5,561
May	39,334	88,840	81,866	146,703	1,686	31,041	155,457	5,523
April	32,572	82,564	74,821	129,311	1,670	31,942	145,862	5,240
March	38,974	87,522	80,896	128,744	1,736	36,552	164,379	5,518
February	36,126	72,280	65,431	118,521	1,917	24,948	123,767	5,272
January	39,007	81,831	73,350	121,913	2,072	29,360	123,371	5,398
1959	36,768	79,248	61,330	118,264	1,974	24,201	140,218	4,303
1958	35,477	82,215	53,597	99,319	1,524	18,882	137,421	4,741
1957	35,731	86,788	51,480	77,220	1,439	14,733	133,272	5,757
1956	32,006	80,353	45,468	59,270	1,439	13,716	118,031	5,927
1955	27,941	66,487	37,424	49,363	1,335	7,112	83,994	6,266
1951	22,014	4,234	4,318	3,641	1,947	339	1,439	4,826
								20,744

Source : Department of Mines and Fuel, Ministry of Steel, Mines and Fuel, Government of India.

ELECTRICITY GENERATION AND DISTRIBUTION

(Monthly Average or Calendar Months)

(Million kWh)

	Installed Capacity*	Electricity Generated	Electricity Sold						
			Domestic	Commercial	Industrial	Public lighting	Trac-tion	Irrigation	Public water works
1961 : March	—	1,596	119.7	71.5	911.4	16.8	40.4	86.1	36.8
Feb	—	1,381	115.1	72.1	797.6	16.6	32.4	69.5	35.0
Jan	—	1,482	122.8	68.8	883.3	17.0	40.4	65.9	37.9
1960 : Dec	—	1,508	120.3	71.3	857.3	17.1	39.7	70.3	38.5
Nov	—	1,390	119.0	70.4	809.9	16.4	37.0	52.0	35.8
Oct	—	1,422	123.6	72.5	786.1	17.2	37.5	61.0	36.8
Sept	—	1,378	120.0	76.8	785.2	15.8	36.9	57.0	40.0
Aug	—	1,404	119.3	77.4	789.6	16.0	38.2	64.0	38.6
July	—	1,361	116.3	76.8	766.7	15.4	36.0	55.5	39.3
June	—	1,380	116.5	74.2	753.2	15.3	37.4	79.2	38.1
May	—	1,382	116.2	68.5	765.4	15.9	37.6	78.4	37.4
Apr	—	1,325	113.6	64.9	745.1	15.1	37.3	68.7	37.0
March	—	1,324	109.2	63.7	741.9	15.3	38.3	66.2	36.4
1960	3,873	1,369	115.9	69.8	769.8	15.8	37.3	64.9	37.6
1959	3,512	1,329	106.5	58.3	684.2	14.3	35.7	60.0	36.2
1958	3,223	1,031	95.0	51.5	550.9	12.9	37.0	50.2	33.2
1957	3,193	906	85.9	47.9	488.7	11.5	35.4	33.9	29.1
1956	2,886	805	78.5	44.4	437.5	10.0	33.9	26.3	27.0
1955	2,695	716	67.5	39.5	382.5	8.2	33.5	21.5	24.5
1951	1,835	488	49.6	27.6	254.6	5.7	27.4	16.9	17.6
									399.4

*Thousand kilo Watts.

Source: Central Water and Power Commission, Ministry of Irrigation and Power, Government of India.

SEASONAL VARIATIONS IN MONEY SUPPLY WITH THE PUBLIC

	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	Outstanding
	Slack season 1	Slack season 2	Slack season 3	Slack season 4	Slack season 5	Slack season 6	Slack season 7
A Money supply with the public							
1 Currency with the public ^a	-11.5	+206.9	-96.1	+114.7	-88.4	+222.1	+197.1
2 Demand liabilities of banks ^c	+21.5	+41.7	-7.8	+93.8	-71.2	+68.7	+75.8
3 Other deposits with the Reserve Bank of India ^d	+0.1	+1.1	-1.7	+1.7	+1.5	+2.0	+2.9
4 Total Money supply with the public (1+2+3)	+16.1	+250.4	-105.6	+249.2	-158.2	+292.8	+275.8
B Factors affecting Money supply ^e							
1 Bank credit to Government (i+ii+iii+iv)-(v+vi)	73.9	+112.3	+48.3	+276.4	+271.9	+177.9	+181.2
(i) Rupee Securities held by the Reserve Bank of India	+18.6	+148.9	+23.0	+261.5	+208.2	+130.1	+216.6
(ii) Loans and advances to Governments by the Reserve Bank of India	-0.9	+1.8	+1.6	+12.4	+4.8	+27.1	+28.0
(iii) Redemptions of treasury bills	-4.9	+5.3	-7.7	+7.7	+13.6	+6.5	+3.7
(iv) Investments of banks in government securities ^f	+53.6	-37.6	+17.8	-27.9	+50.4	-3.4	+180.9
(v) Central Government's deposits with the Reserve Bank of India	-1.7	+9.3	-4.4	-1.3	+6.5	+18.1	+4.4
(vi) State Government's deposits with the Reserve Bank of India	-1.8	-3.2	-0.8	-21.4	+4.6	+0.9	+15.0
2 Foreign Assets held by the Reserve Bank of India ^g	-2.8	+13.3	-143.4	-77.3	-59.4	+30.3	-10.5
3 Public's net indebtedness to the banking system (i-ii)	(+4.3)	(+19.3)	(-143.4)	(-138.0)	(-59.3)	(+30.3)	(-6.9)
(i) Bank credit ^h	-67.3	+161.8	-21.0	+108.0	-150.1	+128.4	+122.5
(ii) Time liabilities of banks ^c	-26.5	+169.4	+11.5	+155.0	+85.4	+181.4	+187.2
	+40.8	+7.6	+22.6	+47.0	+136.7	+53.0	+64.7
							+161.7
							+182.7
							+145.4
							(1,425.2)
							1,157.9
							(1,122.3)
							(1,122.3)

Notes : (1) Slack season is from May to October and the busy season is from November to April. No adjustments have been made for the net inward or outward movements of currency.

(2) In view of the change in arrangements for holding P L 480 funds from May 12, 1960, figures for 1960-61 are not comparable to those for the earlier years for items B (1) (iv) and B (3) (ii).

Figures are provisional.

Including Half Sica currency upto December 1957.

Scheduled banks and reporting non-scheduled and State cooperative banks.

Excluding balances held on I. M. F. Account No. 1 and some extraordinary items.

Figures are gross variations; no adjustments have been made in respect of extraordinary transactions except in figures given in brackets under item B (2).

At book value; include treasury bills and treasury deposit receipts.

Figures in brackets are net of borrowings from and repayments to the I. M. F.

Comprising (i) advances and (ii) inland and foreign bills purchased and discounted in India.

Based on net demand deposits of scheduled banks.

Excluding 'due from banks'.

Excluding inter-bank deposits.

Source : Reserve Bank of India.

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The Economic Weekly

A Journal of Current Economic and Political Affairs

THIRTEENTH YEAR OF PUBLICATION

September 2, 1961

Volume XIII No. 35

Price 50 Naye Paise

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 THE ECONOMIC WEEKLY
65, Apollo Street, Fort,
Bombay.

Telephone: 253406

Annual Subscription: Rs 24

Foreign 40 s or \$ 6

India and Belgrade

PANDIT NEHRU has been widely, but not intelligently, criticised for the distrust with which he initially approached the idea of the Belgrade "Summit" and the caution with which he later agreed to participate. Both the original distrust and the later caution are understandable. To appreciate this, it is necessary to grasp the basic fact that India stands in a very special relationship towards non-alignment. If she does not normally claim to be author of the concept, the reason is simply her fear of appearing immodest and boastful. Many Indian commentators too — being fundamentally out of sympathy with the policy of non-alignment — have tended to discourage New Delhi from assuming the fatherhood of the idea. Indeed, they rejoiced not a little when the Indian view, expressed at the preliminary conference in Cairo, ran against a certain amount of debate. The country's discomfiture pleased them, not because they are anti-national in any serious sense, but because they have themselves never properly understood the significance of non-alignment in the context of contemporary international politics.

The fact remains, all the same, that India is the founder of non-alignment as a national policy after the Second World War. It was an unusual concept and even the mature nations of the world had a considerable amount of difficulty in grasping its essentials for a long time. Most often, it was confused with "neutrality" — a policy which can make sense only in the context of active war. The result was that whenever Pandit Nehru expressed himself forthrightly on some aspect of the East-West crisis, he was accused of having abandoned his "neutrality". The beginning of the road was full of hurdles; and India alternately attracted and lost the sympathy of both power-blocs in turn. Only recently has it begun to be understood that India is not "neutral" by any means. Indeed she is too passionately interested in world peace to be able to afford the luxury of a neutral and disinterested attitude. She is simply non-aligned, which means that she is unattached to either of the power-blocs and is no camp-follower of anybody in the military sense of that term. She is without an alignment in the Cold War, but by no means is she without an ideology in the conduct of her own affairs. She is more independent than neutral.

Since this idea is so inadequately understood by even the Indian critics of non-alignment, it is not to be expected that it should be fully grasped by others. The somewhat disheartening wrangle at Cairo was the result of this. A number of countries calling themselves "neutral" have evidently come to the conclusion that the only way of breaking the suffocating hold of the two power-blocs in the world is to add a third to them. The intention presumably is that this "third force" should act as a buffer between the two giants of the East and the West, and prevent them from blowing each other out. It is, to be sure, a well-meaning proposal. But it suffers from one little flaw: it is entirely, wholly and absolutely impracticable. The proposed "third force" will be third without being a force in any real sense; and a Russia and America bent upon blasting each other from the surface of the earth will not be deterred by the presence of this trifling buffer.

The question may here be asked as to why does India so persistently advocate non-alignment if, in the effective test that can be applied to its merits, it emerges so weak and helpless. The answer is simple for those who have grasped the core of the non-alignment idea. It is this: non-aligned and independent, every country has its individual worth and importance, for itself as well as for the big powers. But joined together in a bloc of their own, these countries lose their identity in the international scheme of things, without replacing it with anything whose power or influence can match either of the Big Two. To reduce the argument to its simplest form, the non-aligned countries can be compared to the floating vote in a more or less evenly-matched contest. Once this vote has consolidated itself into one solid bloc, only one or the other

of the contenders can hope to win it. Both may try for a time to woo it, but as soon as its inclinations begin to show themselves in favour of one bloc, the other will begin to shun it. In the floating vote, that is not the position. The prizes are scattered; and if each individual prize keeps on exerting its separate attraction on the contenders, they will both be busy gathering their harvest where they can. What is more, they will never be able to take their victories for granted.

The insistent may argue that there is no reason why the non-aligned bloc, organised as such in a formal third force, should incline towards one power bloc or the other. The argument ignores the stresses and strains that the organisation is bound to develop inside itself; for the effort to be oneself is nothing compared to the difficulties of stay-

ing together in a conglomerate group whose individual members have but an imperfect understanding of the governing principle of their organisation.

Pandit Nehru distrusted the idea of a Belgrade "Summit" precisely because he knew that the participants would have more enthusiasm than understanding of non-alignment. It was best to discourage a discussion among half-baked neutrals, which some of the participants would certainly be. But the moment it became clear that the cold power poured by India would not freeze the Belgrade proposal to extinction, Pandit Nehru rightly decided to withdraw his earlier objections and attend a conference to which he had much ground-sense to contribute. India has a special responsibility in this matter. That responsibility could not be discharged by evasion.

Task before Banks

SINCE the failure of the Palai Central Bank last year, the state of Indian banking has been the subject of continuous debate. The Palai Bank affair shook public confidence in the adequacy as also efficiency of the Reserve Bank's supervision over commercial banks in the country. In the debate that followed two questions overshadowed all others: Were the factors responsible for the collapse of the Palai Bank operative in respect of other medium or small size banks, scheduled or non-scheduled? If so, what steps should be taken to prevent recurrence of bank failures? As it happened, the second half of 1960 witnessed a stagnation in bank deposits which came to be associated in the popular mind with a general loss of confidence in banking institutions. The fact that the sluggishness in deposits was due in part at least, to moderation in deficit spending by Government was lost sight of in the excitement of apportioning blame for the failure of the Palai Bank. In any event, the trend in commercial bank deposits enhanced the pressure on monetary authorities to do something quickly to remove weak spots in our banking structure.

With almost feverish speed, the Reserve Bank set about identifying the vulnerable banks and making arrangements for their orderly

liquidation or amalgamation with stronger banking institutions. More power was vested in the Reserve Bank for this purpose so as to ensure that no bank failed because of the inability of the Reserve Bank to enforce proper observance of the directives issued by it. All these, however, amounted to no more than a holding operation — an operation directed towards the prevention of further erosion in the prestige of credit institutions. But they did not add up to anything like a positive policy for strengthening the banking structure in such a manner as to enable it to discharge efficiently the large demands liable to be made on it in furtherance of India's development programmes. This required a more comprehensive policy, aimed at enhancement of the ability of commercial banks to mobilise the private sector's financial resources more efficiently and also at channelling these resources into those sectors whose needs command the highest priority in development plans.

Policy in this field has yet to be clearly formulated. But from what is generally known, it would seem that the approach of the Reserve Bank is along the lines of strengthening the capital base and liquidity position of commercial banks by specifying norms for these. With

regard to the former, the Reserve Bank has recommended that the minimum paid-up capital of new banking companies should be Rs 5 lakhs instead of Rs 50,000 as at present; this minimum is raised to Rs 20 lakhs and Rs 15 lakhs respectively for banks operating in Bombay and Calcutta as also for foreign banks everywhere. This is a wholly reasonable step to take if for no other reason than that of preventing ridiculously small banking companies from being set up. The more important recommendation, however, is that for all banking companies, the minimum paid-up capital and reserves should amount to 7½ per cent of the total deposit liabilities in respect of Indian banks. The ratio is lowered to 5 per cent in the case of exchange banks.

This proposal has apparently not been very popular in commercial banking circles. As at the end of 1960, the ratio of paid-up capital and reserves to aggregate deposits of all Indian banking companies was around 5 per cent. Increase in bank deposits since then has reduced the ratio further; the task of attaining the target set by the Reserve Bank is, therefore, a pretty tough one, allowing for further likely increases in bank deposits. It is, of course, true that banks are not required to make

this adjustment all at once. But even if they have to do it over a period of three to five years, they will not find it easy. Banks have stayed out of the capital-issue market so long that they are nervous about meeting this requirement by fresh flotations of stocks. They also consider that the terms they can offer to prospective investors on the market will not compare favourably with those currently being offered by industrial enterprises. Consequently, the proposal amounts, in their opinion, to an insistence on larger allocations of reserves from earnings. However, should they do so, they would thereby be obliged to keep down the dividends distributed to shareholders; and their ability to get on to the capital market would be further jeopardised.

On the face of it, there is considerable force in the bankers' argument. But if one digs deeper into it, it would seem that it is predicated on an unnecessarily pessimistic view of the scope for enlarging the earnings of banks. It may well be true that the general trend in deposit rates will be gently upward. It is also possible that wages and salaries of bank employees will be pushed up. But, on the other side, it should be appreciated that elements in the economy which support these trends could also favour a faster growth in bank credit as also an increase in lending rates. Despite all the changes that are taking place in the economy, there is not much evidence of commercial banks adopting policies and procedures more in accord with the spirit and dynamism of the rest of the economy. They are still too much wedded to traditional methods of financing which are more appropriate to a trading, rather than manufacturing, economy. One cannot, therefore, help feeling that if the proposal made by the Reserve Bank accentuates the pressure on banks to show a pioneering spirit which they have not shown in any conspicuous measure so far, it will be all to the good.

The Reserve Bank has from time to time declared itself in favour of greater enterprise on the part of banks. But in its proposals regarding the capital and reserves position of commercial banks, it has sought to emphasise the need for greater security to depositors. This, it is arguable, is essential for

an acceleration of the rate of increase in bank deposits and, therefore, in bank lending. But it should also be recognised that the capital and reserves position of banks is not amongst the most important of the factors that influence the prospective depositor. Introduction of the Deposit Insurance Scheme will further reduce the relevance of this item to depositors. If this is recognised, the recommendation for augmenting the capital base of banking institutions derives force only from the pressure it may bring to bear on banks to seek fresh avenues for lending. In that context, it will be essential for the Reserve Bank to re-examine its own procedures and criteria for evaluating the soundness of banking institutions.

The other proposals of the Reserve Bank relate to the liquidity ratio to be maintained by banks. It has been suggested that banks should maintain balances with the Reserve Bank at 5 per cent of their total deposit liabilities as compared with the present requirement of 5 per cent of demand liabilities and 2 per cent of time liabilities. In addition, they are to keep in the form of cash and unencumbered, approved investments, an equivalent of 22.5 per cent of their liabilities. The Reserve Bank should have discretion to vary the proportion of balances with it within a limit of 15 per cent and charge penalties in the form of adjustable rates of interest for any deficiencies in this regard. All these measures are once again intended to prevent the failure of banks because of the lack of liquidity rather

than of aggregate resources. The emphasis here is also that of safeguarding the interests of depositors. But, as in the case of increase in capital and reserves, it is probably the indirect effect of pressure on banks to seek out fresh sources of revenue that may be more important. The change in regard to the balances to be kept with the Reserve Bank will certainly mean an increase in them both because of the higher percentage applicable to time liabilities and because of the faster rate of growth of such liabilities. But as balances with the Reserve Bank grow, so will the limit for commercial banks' borrowings at bank rates. This may, no doubt, mean an addition to the price to be paid by banks for funds at their disposal. But against a background of large and continuously-growing demand for bank advances, it should not be difficult for commercial banks to shift this burden on to their borrowers. Altogether, it would seem that the steps envisaged by the Reserve Bank are not inappropriate at this juncture even though the reasons for their appropriateness may not be only those put forward by the Reserve Bank. While the public is appreciative of some of the difficulties faced by banks in making quick adjustments to changing conditions, it is also getting more and more restive about their conservatism and distrust of change. It is very much in their interest now to approach the problems they face with imagination and courage instead of just sitting back and arguing that things are not going the way most convenient to them.

REPORT OF THE SPECIAL COMMITTEE FOR COMMERCE EDUCATION July 1961

This is the report of the committee set up by the All-India Council for Technical Education under the chairmanship of Dr. V.K.R.V. Rao, Director, Institute of Economic Growth, Delhi to enquire into the position of COMMERCE EDUCATION in India.

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DA 61/316

Weekly Notes

Boom in Life Insurance

THE working results of the Life Insurance Corporation for 1960, which were released by the Chairman of the Corporation this week, show that this was a fairly successful year for the Corporation. The L I C's new business increased from Rs 429 crores, covering 1.15 million policies, in 1959 to Rs 498 crores, covering 1.26 million policies, in 1960. The total business in force at the end of 1960 was Rs 2,285 crores, covering 7.7 million policies, against Rs 1,958 crores, covering 6.9 million policies at the end of 1959. Of this, business outside India was Rs 109 crores at the end of 1960, showing a rise of Rs 6 crores over the previous year. As a result of the increase in its business, the Corporation's premium income increased from Rs 84 crores to Rs 97 crores. Total income, exclusive of refund of tax, increased over the same period from Rs 105 to Rs 122 crores. The Corporation's Life Fund increased from Rs 495 crores in 1959 to Rs 560 crores in 1960, while its total assets increased from Rs 560 crores to Rs 622 crores over the same period.

The Chairman of the Life Insurance Corporation, Shri P A Gopalakrishnan took some pride in presenting these figures at the press conference this week. He also made some comparisons with the state of life insurance business prior to nationalisation. The comparison was of some interest as 1960 marks the fifth year of nationalised life insurance. In 1955, the year preceding nationalisation, the total premium income of the industry was Rs 58 crores and total income from all sources Rs 74 crores as compared with the L I C's 1960 figures of Rs 97 crores and Rs 122 crores respectively. The 67 per cent increase in premium income over the five-year period cannot be considered unsatisfactory in general terms, but critics have pointed out that having a monopoly in this field, the L I C should not expect too many bouquets for having achieved a rate of growth, which, though high, is, after all, lower than that achieved by some other industries and businesses.

It is relevant to consider here whether conditions are propitious

for the rapid growth of life insurance in the country. It is true that life insurance is being increasingly given the opportunity to extend outwards into areas and sectors of the economy in which it had almost no place before. The rising national income brings within the purview of life insurance activity classes of people not touched by it before. The fact that these people have no saving habits is no doubt an obstacle but the fact that they now have the ability, if not the will, to save makes this a challenge more than anything else. On the other hand, there is increasing competition for the available savings. The rapid expansion of commercial and cooperative banking into areas not served before and the new terms and conditions on which banking operates has made the propagation of life insurance as a mode of saving rather difficult. To this has to be added the competition of the official small savings campaigns.

Outwitting Inflation

THE most important element in the situation, however, is the inflationary pressure in the economy to which Shri Gopalakrishnan drew attention. Policy holders with fixed incomes and increasing commitments were, according to Shri Gopalakrishnan, finding it difficult to keep their policies alive. This is reflected in the lapse ratio, which has begun to rise again after the fall which occurred after nationalisation. If persons who already have life insurance policies find it difficult to keep them alive, it follows that others would think twice before taking out new policies which they might be unable to keep alive. In general, the amount of life insurance, if not the number of policies, would tend to suffer because of these factors. The erosion of savings by the inflationary pressures to which Shri Gopalakrishnan referred is also a factor to be kept in mind. Savers are naturally anxious to prevent or limit the extent of such erosion of the value of their savings. More of them are, therefore, turning to direct investment in equities, while others find investment in gold or in land more useful. The L I C is not of course in a position to do

anything about this situation. If the bonuses declared on with profits policies were high enough, such policies could perhaps have helped in the circumstances, but unfortunately with the question of bonuses still unsolved, the Corporation is actually finding it more difficult to sell these policies than the ordinary ones.

The inflationary conditions are bound to have some impact on the costs of the Corporation as well. This is reflected in the overall expense ratio, which is as high as 28.4 per cent. The fall from 28.7 per cent in the previous year is of course to be ascribed to the rather rapid growth of overall business, to which this ratio is related. The renewal-expense ratio, which provides a better index of the efficiency of management as well as of the impact of cost conditions in the economy as a whole, has remained practically constant at 12.9 per cent. That all this happened in the context of an increase in staff of only 30 per cent between 1957 and 1960, when the number of policies increased by 36 per cent and the number of new policies by 55 per cent, indicates how rising costs affected the Corporation's business.

Income Tax Bill

THE Bill to amend and consolidate the Income Tax Act passed by the Lok Sabha last week is a landmark in economic legislation in this country. The Bill was drafted on the basis of the recommendations of several commissions and committees including the Law Commission and the Direct Taxes Administration Enquiry Committee. The Act of 1922, which it will replace, has become so tangled and complicated as a result of a series of piecemeal amendments that even experts find difficulty in interpreting and applying it. The Bill, according to the Finance Minister, has the threefold purpose of removing some of the difficulties at present experienced by assesseees, improving the administration of taxes and their collection and checking tax evasion and avoidance.

The Select Committee of the Lok Sabha, in its report, modified some of the provisions of the original Bill. By and large, the effect of

these changes was to liberalise these provisions. The Committee recommended exemption of gratuities paid to private employees upto a limit of Rs 24,000 and certain minor adjustments in regard to taxation of trust incomes, capital gains and super tax on inter-corporate dividends received by companies from industrial companies. It also fixed a time limit of 16 years for re-opening cases of incomes which had escaped assessment. The original Bill provided for recovery of tax assessed on private companies which had gone into liquidation from their directors and, or shareholders holding more than 10 per cent of the voting power in those companies. The Committee absolved the shareholders of this liability and limited it to the Directors. Another important change made by the Committee was the restoration of the category of 'resident but not ordinarily resident', which is treated more favourably than the other two categories of 'resident' and 'non-resident'. This category was introduced for the first time in 1939. A person was described as a 'resident but not ordinarily resident' if, though a resident in the previous year, he had been a non-resident in any of the preceding nine years or had not been in India for more than a period of two years during the preceding seven years. An individual belonging to this category derived a double advantage. His foreign income was not taxed unless it was derived from a business controlled from India or unless his foreign profits were brought to India. Further, the rate of tax applicable to him on his Indian income was determined on the basis of that income alone whereas in the case of 'residents' as well as 'non-residents', the world income forms the basis for arriving at the effective rate of tax. A number of representations were received by the Select Committee against the proposal to abolish this category and both the Committee and the Government have decided to retain it, contrary to the recommendations of every committee and commission that had earlier looked into the question. How the Government could have been persuaded to make such a major retrogressive change in the draft Bill is difficult to understand.

The provision regarding the liability of directors of private companies in liquidation is an important step

towards curbing tax frauds and undesirable company practices. The toning down of the original proposal has, however, taken away much of its effectiveness. The directors of errant private companies are quite often nominees or employees of the real tax evaders. They would have no compunction in declaring themselves insolvent to avoid payment of taxes and to protect the real and ultimate evaders. The fears expressed by those like Shri Masani that this provision would inhibit the growth of private companies are entirely inconsistent with their attitude to private companies in relation to the Companies Act. When the Companies Act seeks to do anything about private companies, it is contended that these are more or less family concerns and should not, therefore, be subjected to too many restrictions. When the Income Tax Act is under discussion the argument is changed and it is suggested that private companies are like other companies and their directors and shareholders should not be deprived of their privilege of limited liability.

The new Act will certainly simplify the existing law. It also seeks to check tax evasion. On this last score, however, it does not go far enough. Unless the tax returns of assesseees are open to public inspection and tax evasion above a certain amount is declared a criminal offence, there is really not much hope of curbing tax evasion.

The Price of Jute

THE millstone of refugees round its neck, heavily over-populated, deficit in foodgrains, with an export-oriented economy in which the vital export industries are not, to put it mildly, responsive to the needs of the population they feed on — that is West Bengal, India's "problem" State. And the safest course when faced with a problem is not to look at it, since solving it involves that very acute struggle: the struggle of escape from habitual modes of thought and expression. With regard to raw jute prices, the annual processions and demonstrations would have fizzled out this year too as they have done almost every other year. But New Delhi is reacting somewhat differently. Last week Shri Nityanand Kanungo promised to announce very soon a mechanism for fixing

floor prices of raw jute to ensure a fair deal to the producer. At the same time, Shri Kanungo emphasised that fixing of floor prices, whether by establishing a Government agency to participate in marginal operations in the market or by other measures, bristled with difficulties, and that a decision would be taken only after discussions with the West Bengal Government.

What are the facts? The total Indian jute crop, which was about 60 lakh bales in 1956-57 and 1957-58, increased to almost 70 lakh bales in 1958-59, largely as a result of increase in yield per acre. This large crop brought down prices and the inevitable result was that in 1959-60 a smaller area was sown with jute and production was lower at 57 lakh bales. The smaller crop, together with a small quantum of exports of raw jute and a slight increase in mill consumption, resulted in high prices in 1960-61. Nevertheless, production further declined to 52 lakh bales in 1960-61. The rest of the story is known — block closures by mills to adjust production to their purchases of raw jute which they had restricted in 1960-61 (July-June) to only 43 lakh bales from India, compared to 54 and 65 lakh bales in 1959-60 and 1958-59 respectively.

The fixing of raw jute prices, as indeed of the prices of certain other agricultural commodities, has been debated for decades, and scores of committees have sat over it without a wee bit helping the Government of India to make up its mind about the *modus operandi* of the price fixation schemes. The difficulties involved in implementing any scheme of fixing prices is admittedly great. Where is the agency at the field level to do the job? Cooperatives? But in the two States involved, Assam and West Bengal, cooperative credit and marketing societies are in a sad plight and, as a recent conference of the Eastern Region States on Cooperative Credit, convened by the Reserve Bank, has disclosed, very major and sustained efforts are necessary before the cooperative machinery can be geared to play a role useful to the cultivators in these States. There is next the question of finance, followed by that of storage and transport. The Central and State Warehousing

Corporations' godowns in these States are not many, and the demands on storage space which satisfies the minimum requisites for safe and healthy storage, far exceed availability in peak periods. Thus, for example, the policy of state trading in paddy which the Government of Assam is implementing for the last three years on an extensive scale, is making heavy demands on available godown space in the State. There is also the question of the personnel to run the scheme and of its cost.

It would need very prompt action and decision-taking all along the line for the scheme to work in the current season, if it is decided to implement it at all. Two senior officers of the Government have been deputed to hold discussions at Calcutta and then, presumably, there will be another round of meetings in New Delhi. The Government of Assam may also want to be brought into this inner circle. The machinery will then have to be set in position. But, surely, are the days of gentlemen's agreements entirely over? Cannot the Indian Jute Mills Association help in the matter of ensuring a stable and fair price to the jute grower? It is in the IJMA's own interest ultimately to help do away with the annual fluctuations of raw jute production which upset mill working.

Italian Credit for Oil

THE long-awaited agreement between the Government of India and the E N I, the Italian state-owned oil undertaking, was signed on Tuesday last. The agreement provides for a 100 million dollar credit by the E N I for the development of the petroleum industry in the public sector in the Third Plan. The credit offer, it will be recalled, was first made by Mr Enrico Mattei, President of the E N I, during his visit to India in December last. That the promised loan should have taken so long to fructify bears testimony to the tortuous course of negotiations over the terms and other details of the credit. The Oil Minister was confronted with a last-minute hurdle when the Ministry of Finance took exception to the proposed credit on the ground that the rate of interest was too high and the period of the loan too short. It is a tribute to the tenacity of the Oil Minister that one by one all the hurdles have

been overcome and the agreement is now finally in his pocket. Nevertheless, it is intriguing that neither the official communique on the signing of the agreement nor the Oil Minister's statement in the Lok Sabha refers to the terms of the credit.

The credit offered by the E N I is proposed to be utilised for a variety of public sector projects. These fall into two categories. The first group consists of projects for which provision has been made in the Third Plan, such as the transport pipeline for petroleum products from Barauni to Delhi and Barauni to Calcutta, the gas fractionation plant, the liquid petroleum gas bottling plant and distribution facilities and the lubricating oil plant besides supply of equipment for production of crude oil and distribution of oil products. The second group consists of projects like the petro-chemicals plant, which though not included in the Plan now, may still be taken up for execution during the Plan period if the efforts of the Oil Ministry to persuade the Planning Commission and the Government are successful.

Taking oil production, refining and distribution altogether, the total cost of projects listed in the Plan amounts to about Rs 245 crores. Of this, exploration and exploitation of crude oil reserves have been allotted Rs 115 crores. The outlay on the two refineries at Nunmati and Barauni already under construction is estimated at Rs 31.5 crores and that on the third refinery proposed to be located in Gujarat at Rs 30 crores. Schemes for construction of crude oil pipelines and the oil products distribution programme are estimated to entail an outlay of about Rs 68.5 crores. The Oil Ministry, however, has been pressing for the inclusion of certain additional projects and for a higher allocation for the public sector oil programme as a whole. For exploration and production alone it has sought to get the Plan allocation of Rs 115 crores increased by at least Rs 100 crores.

It is, therefore, significant that the E N I credit covers projects not included in the Plan. Past experience has shown that to secure foreign collaboration is often the one sure way to get the Planning Commission and the Finance

Ministry to approve particular projects, whether in the public or the private sector. By ensuring the foreign assistance required for the projects under the agreement with the E N I, Shri Malaviya may have won at least half the battle to get them included in the Plan.

Assistance for Exploration

ANOTHER aspect of the agreement with the E N I is also interesting. The list of projects covered by agreement includes contract drilling by E N I in any area specified by the Oil and Natural Gas Commission. The Italian credit is, however, mainly for purposes other than exploration and production of oil. This is interesting, considering that the E N I made its first overtures to the Indian Government for collaboration in oil exploration, following the Government's announcement in July 1960 that it would consider offers from foreign oil companies to collaborate with the Oil and Natural Gas Commission in the search for oil.

The E N I, it will be recalled, had then proposed a participatory venture for exploration and production of oil in the Cutch area. The proposal presumably fell through as a result of the E N I's insistence on participation also in the refining and marketing of the oil discovered by the joint company. The Government, for its part, was anxious to secure Italian collaboration in oil exploration on the same basis as that extended by the Russians and Rumanians who work as part of the Oil and Natural Gas Commission. Their share in the exploration programme is limited to providing the equipment and the technical personnel. Judging from Shri Malaviya's speech in the Lok Sabha, the Oil Ministry appears to have succeeded in bringing the Italians round to accepting its terms, though it is clear that baulked of commercial participation, the Italians' enthusiasm for collaboration in exploration and production has been considerably dampened. The E N I has now offered a total of 20 million dollars for collaboration with the Oil and Natural Gas Commission in exploration. It is likely that the Italians may still provide assistance on a bigger scale for exploration if the Government agrees to a participatory venture. The Government itself has by no means finally closed the door to such an agreement.

Letter to the Editor

Hindustan Shipyard

WE have seen your comments entitled "From Andamans to Haldia" in the Weekly Notes column of your issue dated July 1, 1961. We are afraid, these comments are based on a misconception of the facts.

At the outset, Hindustan Shipyard as such has not been involved in any incident in regard to the vessel *Haldia*, as alleged by you. *Haldia* was constructed and delivered by us to the Calcutta Port Commissioners as far back as March 26, 1961 in complete fulfilment of the agreed specifications. If there has been some dispute between the Port Commissioners and their employees who operate the vessel, surely it cannot be described as an incident in which the Shipyard is involved.

It is true that the original specifications of *Haldia* supplied to us were such that, if the vessel was built to those specifications, it would not have met the operational needs of the Port Commissioners. It therefore became necessary, at a very early and preliminary stage of its construction (certainly not when the fitting-out was started), to modify the specifications in some respects. It is, however, completely incorrect to say that in effecting these modifications, the living accommodation of the personnel on board was reduced. The number and category of personnel in the respective cabins, the location and layout, the scale of furniture, the floor area, height etc. of the accommodation have all remained exactly the same as contemplated in the original specifications. All officers and crew are provided with cabins and sleeping bunks, respectively, as per plans approved by the Mercantile Marine Department, whose special concern is to ensure that the accommodation arrangements are adequate and reasonable for the type of service envisaged. It is therefore unfair to describe the accommodation provided on the vessel as "standing accommodation".

As regards the alleged discomfort experienced by the personnel owing to the temperature in cabins being in excess of the outside temperature, we have no comment to make except that the insulation of

the bulkheads, trunkings etc, as well as the provision of natural and mechanical ventilation, electric fans, etc, was carried out by us strictly in accordance with the agreed specifications and the regulations of the Mercantile Marine Department; nor has any complaint been received from the owners in this respect so far. We may add here that, for a vessel of the size and nature of *Haldia*, the proximity of accommodation to the boiler room (about which apparently much is sought to be made) is not an abnormal feature.

Despite the authoritative contradictions issued by the Calcutta Port Commissioners and Hindustan Shipyard, you have persisted in remarking that "it is probable that the Yard has paid compensation to the Port Commissioners for the alteration in the superstructure." It is a most unfortunate insinuation which we emphatically deny.

You have stated that the Shipyard cannot evade responsibility for the alleged defects in the vessel. This is obviously based on complete ignorance of the role played by a shipyard and its responsibility. According to recognized shipbuilding practice, the responsibility of a shipyard is limited to constructing a vessel strictly in accordance with the specifications laid down by, or settled with, the owner concerned, and the statutory rules and regulations laid down by the Mercantile Marine Department as well as the Classification Society. Once these conditions are satisfied, it is no part of the business of a shipyard to seek to advise the owner on what is good for him or his needs. It is again incorrect to say that the vessel would have been unseaworthy if she had been built to the original specifications as even those specifications would have resulted in a perfectly seaworthy vessel although the operational requirements of the Port Commissioners would not have been fulfilled. It is precisely for this reason that, as already explained above, the Shipyard advised the owners on the need for modifying the specifications which, you seem to think, 'it is not competent to do'.

While your remarks about the constant vigilance to be exercised in

order to ensure that the stability of a vessel is not adversely affected by the changes asked for by owners are no doubt sound, the exercise of such vigilance has nothing to do with the business of collecting "statistics." There is apparently some confusion over the importance of statistics as such; statistics are useful only for purposes of designing. Again, you have made the astonishing remark that "no shipyard in the world would be prepared to build a vessel exactly according to the owners' requirements unless a considerable premium is paid for designing the hull to suit the latter." On the contrary, let me assure you, no shipowner would be willing to accept a ship which is not exactly according to his requirements as he is the best judge of what he wants for his trade and operational needs. I do not therefore wish to comment on the conclusion drawn by you from your wrong hypothesis that "it would be foolish of Hindustan Shipyard to attempt to build every kind of vessel."

You seem to have completely misunderstood the usefulness of standardization. Construction of a series of standard type of vessels is desirable and useful only to the extent that it contributes to reduction in cost and quicker deliveries. It is no answer at all to the problem of developing basic data for purposes of designing which should be a matter of concern for every shipyard. The larger the classes and types of vessels built, the more useful will be the basic designing data available to a shipyard. Even in the case of *Andamans* to which you have made a reference, there was no question of any negligence on the part of the Shipyard. The *Andamans* is perfectly seaworthy and is satisfactorily employed on the service for which she was built since it was commissioned in December 1957. To design a passenger vessel, intended for a specialised service like the *Andamans* is recognised to be a complex and exceedingly difficult job even for experienced designers. If, therefore, Hindustan Shipyard made an error, at a very early stage of its development and with limited experience, in attempting to design such a passenger ship, that could do no harm to its reputation.

Hindustan Shipyard has already built and delivered successfully about 30 ships of various types, designs and specifications amounting to a total deadweight tonnage of 1.88 lakhs, which is enough proof of its competence and efficiency. In any case to have clubbed *Haldia*, particularly in the way you have done, with *Andamans* is not only unfortunate but distinctly unfair to the Shipyard.

May I assure you, in conclusion, that our intention to build a new series of vessels (for a leading shipping company), which would be a repeat of a type already constructed and in service, is certainly not a foolhardy or hazardous venture as you appear to think?

K Y KRISHNAMURTHI

Executive Assistant and Secretary,
Hindustan Shipyard Limited.

[Shri Krishnamurthi takes exception to the linking up of the *Haldia* with the *Andamans* in our note. The reason why this was done was that, according to reliable information, when an enquiry was held on the *Andamans*, it was decided by the Directors of Hindustan Shipyard to institute an enquiry into the survey vessel to be built for the Calcutta Port Commissioners also. *Haldia*, presumably, is the survey vessel that was ultimately built. It would be interesting to know what the enquiry in 1957 revealed. It is a pity, therefore, that Shri Krishnamurthi has nothing to say about the findings of the Technical Committee that sat on the instability of the *Andamans*, nor does he mention the other enquiries that were to be instituted.

As for the *Haldia*, it was admitted in our note that the reports were contradictory. What emerges from Shri Krishnamurthi's letter is that, apparently, there is no quarrel between the Port Commissioners and the Shipyard. However, he nowhere denies that the vessel has defects. He merely attempts to absolve the Shipyard from any responsibility for the defects. His arguments seem to be that the Port Commissioners' specifications were unsatisfactory for operational purposes, that the Shipyard modified these specifications and that, in all essentials, they were exactly as the Port Commissioners desired them to be. It would be relevant to ask why the Shipyard modified the specifications, and what it was in the

original specifications that made the vessel operationally unfit.

What is perhaps left unsaid is that the delivery of the vessel was effected so much after the original order that the concepts of living accommodation had changed completely in the meantime! Is it not true that the original order for the *Haldia* was placed in the early 'fifties and the vessel was delivered in 1961? Was not the delay, to a large extent, due to the fact that the Shipyard itself had doubts about the design of the vessel and felt that it was necessary to re-check the stability calculations after the *Andamans* incident?

As for the *Andamans* is it not true that the vessel developed a list soon after launching? Shri Krishnamurthi asserts that the *Andamans* is satisfactorily employed in the service for which she was built. This is an extraordinary use of the word "satisfactory". Surely, no ship-owner can be satisfied with a vessel that carries over 2,000 tons less cargo than agreed to in the specification. Again, it is argued that, in the case of the *Andamans*, there was no negligence on the part of the Shipyard. Whose negligence was it, then? Is it not a part of the Shipyard's job to check if, with a certain design, the ship will be stable? The fact is that the Shipyard failed to make a detailed estimate of weights and centres of gravity. There is no doubt that much of the responsibility for the defects can be placed on the Shipyard's consultants, but the ultimate responsibility must be the Shipyard's. The least one can say is that it should have chosen better technical consultants. Designing is part of the Shipyard's job, and it cannot shirk responsibility for any constructional defect that emerges through faulty designing.

Shri Krishnamurthi further states that there was a confusion on the value of collecting statistics in our note, but does not specify the nature of the confusion. Statistics are collected so that, against a particular design, checks can be made to adapt the design suitably, or to design new vessels. Suppose a ship is designed in Germany or France and is constructed by the Hindustan Shipyard, there might be substantial alterations in the design itself because the material used in construction may not be the same as envisaged in the design. For in-

stance, it is well known that the Hindustan Shipyard uses thicker and heavier steel than is used in Japan or Germany. The heavier steel will alter the calculated weights of the design of the vessel in such a way that the centres of gravity of the vessel will not be as originally planned in the design. This means that, even with a well-tried design, the Shipyard would have to check the stability of the vessel on the basis of its own weights. Having done that, it must check that the weights that are actually used in the construction of the vessel are the same as allowed for in the calculations at the designing stage. It is because an owner will always want certain modifications in the design and super-structure of the vessel to the original design that it is so necessary for the Shipyard to have detailed statistics so that it can immediately counter-check if such alterations can be permitted.

According to Shri Krishnamurthi, we have also "misunderstood the usefulness of standardisation". Certainly, standardisation is desirable to reduce costs — which are extremely high in the Hindustan Shipyard — and to quicken deliveries — which are extremely slow from the Hindustan Shipyard. But constructing a series of standard vessels has also the advantage that the Shipyard is made familiar with the basic data of the materials it uses. This basic data can be used more flexibly once the Shipyard is completely familiar with its own materials. No one denies that the Hindustan Shipyard should attempt to build various classes of vessels, but not until it has gained enough experience to build some classes of vessels satisfactorily.

Finally, Shri Krishnamurthi claims that the Hindustan Shipyard has already successfully built and delivered about thirty ships of various types, designs and specifications. He considers this proof of the Shipyard's competence and efficiency. It would, however, be interesting to know the views of the owners of the vessels built by Hindustan Shipyard. At least, it is true to say that not all owners are satisfied with the ships it has built, and, in the ultimate analysis, a shipyard's efficiency and competence must be judged by its ability to build vessels to its customers' satisfaction — Editor.]

Letter from South

Scramble for Congress Tickets

Hyderabad

AS elsewhere, political parties in Andhra are busy preparing for the general election. At the moment their activity is centred on selection of candidates. This activity is relatively more intense in the Congress camp. One has only to pay a visit to Gandhi Bhavan, the headquarters of the Pradesh Congress Committee in Hyderabad, to get an idea of the scramble for Congress tickets.

The Congress ticket is still eagerly sought after in Andhra, as in many other States. Congress prestige among the people may be on the decline, but the party's influence is still considerable. The politically ambitious, therefore, prefer to align themselves with the Congress which will, in any event rule the State at least for the next few years.

The two groups within the Congress which till a few months ago were engaged in a bitter struggle for power have apparently patched up their differences. To the outsider at least they present a united front. There are, however, reports that group affiliations of the applicants for Congress tickets still constitute a principal criterion for selection by the Election Committee.

It would be a travesty of truth to say that the ten-year rule propounded by Shri Sanjeeva Reddi is being taken seriously in Andhra. The few who are acting in conformity with it in spirit, if not in letter, include Shri M Pallam Raju, Pradesh Congress President, who is not seeking a ticket at all. It may be, though, that it is his age and failing health that are more responsible for his decision. Shri D Sanjeeviah, Chief Minister is also reported to be willing to abide by the rule by applying for a Parliamentary seat though he has filed an application for an Assembly seat also. He has been continuously Minister for nearly twelve years in the Madras and Andhra Cabinets. As for Shri Sanjeeva Reddi his name has not figured in the list of applicants for election either to Parliament or the State Assembly. Nor does one find in the lists, the name of Shri A Satvanarayana Raju, Public Works Minister, who is generally regarded as the "man behind the throne" in Andhra politics at present.

In view of the Congress party's self-imposed commitment to give preference to members of minority communities and women in choosing Congress candidates for election it is surprising that the number of Muslims or women among the applicants for Congress tickets is surprisingly small. Curiously, it is from the relatively backward area of Telangana that there is the largest number of women applicants. There are quite a few Muslim applicants for both Parliamentary and Assembly seats from Hyderabad. In order to secure the support of the Muslim electors in the capital, the Congress, it is reported, is wooing the local Ittehad organisation, which is dominated by the followers of the former Razakar leader, Kassim Rizvi. If this is true, the Congress would be laying itself open to the charge of allying itself with a communal organisation while declaiming against communalism and communalists.

Other Parties

It is somewhat intriguing that the Communist party in the State has so far displayed little election activity. This may be due mainly to the fact that the CPI Central Committee has not yet decided the line the party units should take on vital national issues and that the party strategy has yet to be finalised. There have been reports, of course vehemently denied by the local party officials, that in districts like Nalgonda, where the party once dominated the political scene, partymen have defected to the Congress in large numbers.

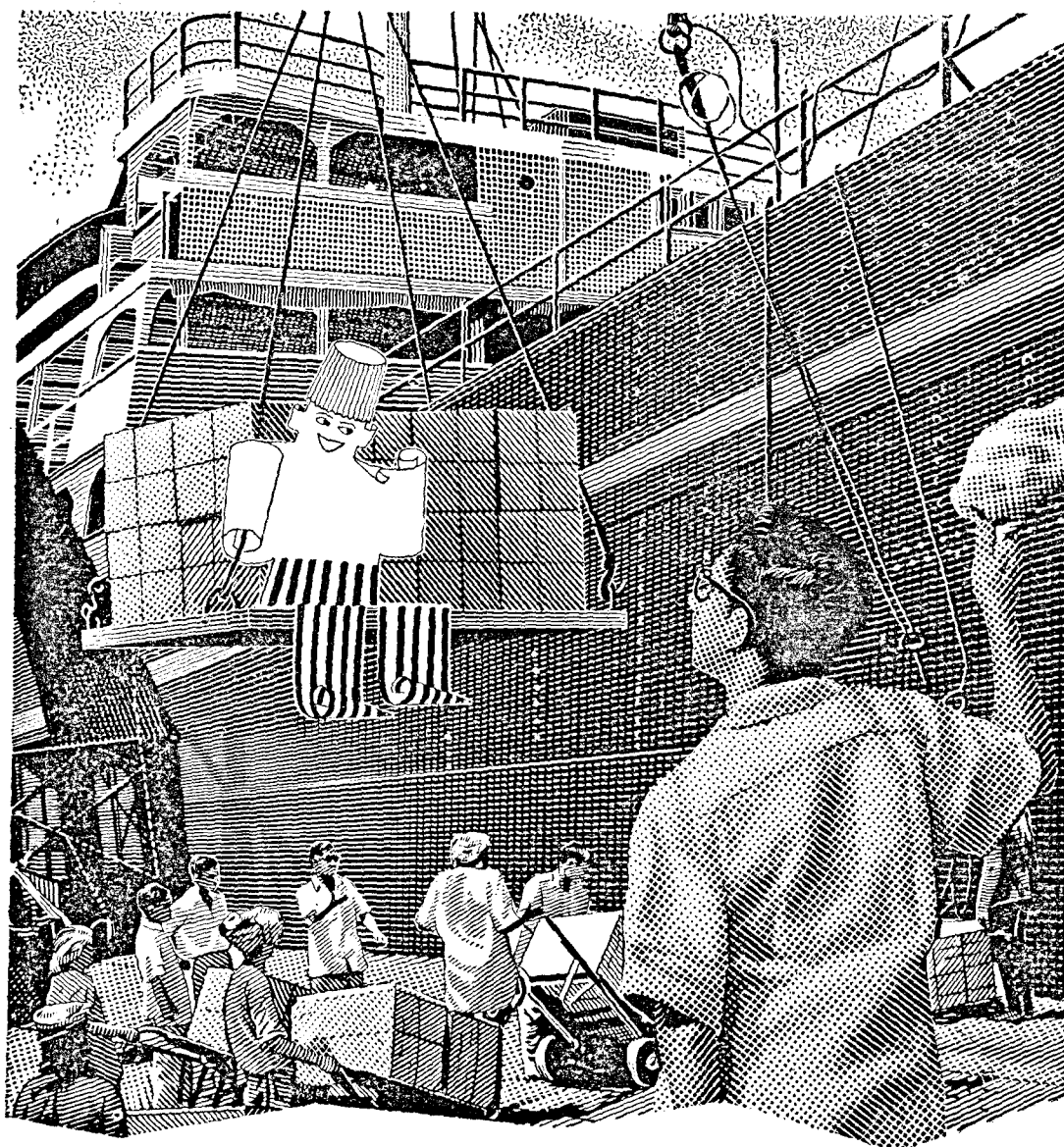
Whether these reports are true or not, there is undoubtedly a great deal of frustration among party members because the party programme has nothing to distinguish itself from the Congress programme. The slow pace of land reforms provided grist to the Communist mill once, but now the Congress Government has introduced legislation to settle the problem of land tenures and impose ceilings on land holdings. These measures, which are expected to reach the statute book before the end of the year, have taken the wind out of the Communist sail. Nevertheless, it would be wrong to rule out the prospect of a

serious Communist challenge to the Congress in the next election. In a number of constituencies, especially in Telangana district, the contest will be a straight one between the Congress and Communist candidates.

The Swatantra party remains very much a dark horse in Andhra politics, not having contested any election so far. Its following is scattered, except in certain districts. The party's election programme is equally obscure, though it is possible that some local issues and problems may provide the party a leg to stand on in some areas.

The Praja Socialist party has not been very much in the election picture so far and it is doubtful if it can project itself into it with any effectiveness in the next few months. But two parties that are relatively more active in the State are the Jan Sangh and the Praja party. The Jan Sangh has a certain following among the middle classes of the Hindu community in certain districts, which may enable it to capture a few seats here and there. The Praja party is essentially a local party, led by Shri T Viswanathan, an ex-Congressman and an ex-Minister in the State Government. He commands considerable respect among important sections of the people for his personal integrity and character.

In the next few weeks the attitudes of some of the minor parties and their relative strength would become clearer. The possibility of some electoral arrangement among the non-Congress parties, except the Communists, to avoid contests among themselves, which would benefit only the Congress or the Communists, is not ruled out. Such an arrangement, if it materialises, may throw a spanner in the Congress works in some constituencies. In any case, the Congress will have to face strong criticism on a number of local issues such as the river-water dispute, the government's policy on communal reservations in recruitment to the services and promotions, its policy of wooing the Muslims, the delay in taking measures to develop backward areas like Rayalaseema and for using the panchavati raj scheme to strengthen and stabilise its position in the rural areas.



MR. AL FOIL GOES OVERSEAS

"Westward Ho!" shouted Mr. Foil, importantly perched upon a tea chest, "I go as a Protector of Tea (Aluminium lining for tea chests and packages) and come back with foreign exchange. Busy voyage ahead, though," Mr. Foil continued shouting, "What with having to keep out the damp devil and keep in the tea flavour. But I am not worried. Have long experience in the matter of lining tea chests with aluminium foils which stand up to all sorts of ill usage like rough crossings and wet weather (the Bay of Biscay and the Channel y'know) . . . In fact, aluminium foil packaging keeps the tea full flavoursome and factory fresh right up to the tea lover's table . . . to England, America or any place in the world . . . I, Al Foil, alumnus of aluminium, guarantee satisfaction".

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Study of Caste

Victor S D'Souza

Caste : A Trend Report and Bibliography By M N Srinivas, Y B Damle, S Shahani and Andre Beteille, in *Current Sociology* Vol VIII, No 3, 1959. Pp 135-183.

CASTE is both a social and a sociological problem in India. It is a social problem because a large number of social, political and economic evils in the country are attributed to it. It is also a sociological problem because the concept of caste is defying a clear definition by social scientists. The present definitions are not adequate to explain the different phenomena associated with caste. For instance, while there are some social scientists who hold that caste is fast disappearing from the country, there are others who think that it is revitalising itself.

Yet, caste is a key concept for the study and understanding of the Indian Society. In keeping with its importance, no other sociological topic has received as much attention from social scientists—both Indian and foreign—interested in the study of Indian society, as that of caste. It is also true that our knowledge about caste has made a great advance. Nevertheless the very plethora of literature on the subject is apt to confuse even an advanced scholar. The present authors, therefore, have rendered a much needed service by preparing this illuminating report which not only delineates the various trends and stages in the study of caste, but also separates the chaff from the grain in our knowledge of the subject.

The work is based on a careful examination of the available literature on caste. A large number of publications, comprising 161 books and articles, having a significant bearing on the subject, is listed in an annotated and classified bibliography. The reader can benefit immensely from this painstaking study inasmuch as he can get at a glance, so to say, a complete sketch of the important literature on caste.

Some of the points made by the authors in the main body of the work are worth mentioning here. The phenomenon of caste has drawn the attention of writers from very

early times. The early writers, however, conceptualised caste in terms of *varna* which is a fourfold stratification of society. The existence of several hierarchical endogamous groups was attributed to inter-*varna* marital unions resulting in offspring differing in status from the castes of parents. It was on the whole an 'ideal' version of caste corresponding little to facts.

During the British period much work was done on the study of caste. Knowledge on the subject was derived not only from ancient books but also from empirical observations. A large body of information was collected both by Indian and foreign writers and theoretical formulations were attempted. New information relevant to the subject was added through a number of studies of Indian tribes. But all this work did not amount to much in terms of increasing our scientific knowledge of caste. While the knowledge derived from the ancient texts resulted in bringing about a "book-view" of the subject with its serious shortcomings, that derived from empirical observations was based on an inadequate theoretical framework. Moreover the scholars were concerned more with tracing the origin of caste than with studying its current functioning.

'Secular' Aspect of Caste

In recent years, however, a significant advance has been made in our understanding of caste. This has been made possible by the refinement in the sociological and social anthropological theory and the methods and techniques of conducting research. Fortified with this new knowledge, a large number of social scientists from India, the UK and the USA, started making intensive and systematic studies of Indian social life for the first time after the Second World War. Caste was naturally their main focus of attention. The exigencies of field-work led to a more accurate definition of terms. The emphasis shifted from *varna* to *jati*. The accuracy

and reliability of data were ensured with the use of schedules and questionnaires. Quantitative techniques for measuring caste status, social distance between castes etc, were adopted. New concepts, such as, *Sanskritization*, *Westernization*, *dominant caste*, and the like were developed to analyse field data.

There has been a shift in emphasis from the "religious" to the "secular" aspects of caste. The economic interdependence of castes, the relationship between caste status and economic condition, leadership and power structure—topics like these have been widely studied. Another important angle from which caste has been studied is that of social change.

Recent studies have also tended to show a more general character of caste. It is now clear that caste is not an exclusive feature of the Hindu culture alone. In its modified form it is also found in non-Hindu societies such as the Muslim and the Buddhist. It is prevalent outside India too, in some of the neighbouring countries.

In this manner our knowledge about caste has been rendered more scientific in recent years. A large number of empirical generalisations have also been built up. But from a systematic appraisal of the existing literature the present authors have been able to discern certain gaps in our knowledge. These have been indicated in the form of a number of topics suggested for further systematic investigation.

The purpose of the authors is mainly to delimit the frontiers of our present knowledge about caste and in this they have achieved remarkable success. This work would be invaluable as a guide not only for those who intend to study and understand caste but also for those who wish to contribute further towards our knowledge on the subject.

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Economic Growth and Transport Requirements

A Comparative Study in Methods of Projection

Krishna R Bharadwaj

Consequent upon the increasing attention paid to the problems of accelerated economic growth, transportation has assumed added significance, since the relationship between the two is at once intimate and immediate.

Transport performance reflects immediately and prominently the two most important dimensions of development—its spatial diffusion and the quantitative distribution of overall production as also its product composition through time.

The significance of striking a proper balance between the requirements and the supply of transport capacity have brought to the fore the need for making fairly reliable projections of transport requirements of a predetermined production programme, so as to guard against both the indiscriminate waste of capital resources in the form of greatly under-utilised transport capacity, as well as against the possibilities of serious transport bottlenecks crippling productive activity.

The need for determining the probable impact of a given production plan on transport services—its magnitude and location—becomes all the more crucial in a situation where excess capacity in transport does not exist in the initial stages of planning.

A comparative study of the techniques employed recently to project transport requirements is attempted here. The basis for such projections is the observed relationship between the growth of traffic volume and that of output in the past (over a time period or at a particular point of time) and the probability of the continuance of such a relationship in future.

The projections discussed are not complete and independent forecasts but only conditional statements that are expected as an outcome of a given set of independent factors. The projected transport requirements imply here that if the previously-fixed production goals are reached in all other sectors, other conditions remaining the same, it could be reasonably expected that the estimated transport flows will be generated.

In an interesting study of the past development of traffic and production in the U S S R, with a view to determining the long range transport requirements of that country, J H Blackman¹ has put forward what may be called "The Basic Commodities Approach". An analysis of the past traffic-output relationships in the U S S R reveals, according to his study, a certain stable relationship between the physical volume of industrial production, more particularly that of the six basic commodities selected by him and the physical volume of freight traffic. Knowledge of this systematic relation has been utilised by the author to analyse prospective growth of transport in relation to that of output. After a cautious assessment of the vectors of opposing forces operating on the weight component and the space dimension of freight transport the author

concludes that whereas a significant downward turn in transport coefficients appears improbable, the "expansionary push" appears to be on the decline, imparting thereby a certain degree of stability to the traffic-output relationships. Thus on the basis of the past, fairly stable, traffic-output relationship and its expected continuance, the author projects the railway freight turnover and the freight traffic on all carriers for the year 1962 from pre-war regressions (1928-40) on the tonnage output of the six basic commodities—coal, petroleum, steel, timber, grain and cement; two alternative hypotheses regarding the production goals for these (the announced prospective targets of Stalin and another independently estimated output, derived from post-war output trends adjusted for announced plans of development) being treated as independent variables.

Basic Premises

The projection is based on the following premises:

- (1) It is assumed that no large war or any other calamity upsetting the economic efforts will occur during the period;
- (2) The fundamental goals of the country will remain more or less stable, implying that investment would continue to be directed predominantly into heavy industry;
- (3) There would be no radical shifts in input-requirements of economic activities, changing thereby the product-mix of traffic.

The regression technique used by Blackman is attractive mainly because of its simplicity. The choice of the basic commodities is of fundamental importance to this approach. In Blackman's study, the choice was partly dictated by the availability of statistical data and partly by the significance of the commodities in the national economy and also in traffic flows. The choice of the appropriate basic commodities will have

to be dictated primarily by the following two considerations:

(1) the total freight tonnage of these commodities will have to form a significant share of the total freight traffic;

(2) the commodities will have to be fairly representative not only of the pattern of economic development in the past but also the prospective pattern of planned development.

Sources of Error

Even if such a selection of basic commodities were possible, an aggregative projection based on such macro-indices as the total tonnage output of the basic commodities and the total freight traffic involves possibilities of errors, since the freight turnover of the basic commodities might not continue to bear the same quantitative relationship with total freight turnover. The assumption made in Blackman's study that the investment pattern in the future remains broadly unaltered rules out any considerable change in the commodities composition of freight traffic. However, when freight prospects are to be estimated under the purposively directed process of planning, freight composition is most likely to undergo significant changes. In fact, the rationale of developmental planning would require a conscious effort to change the pattern of production. These internal shifts in traffic composition would be of great importance in deriving positive premises for planned action. To yield reliable projections, the freight turnover of the basic commodities will have to account for not only a major but also a stable proportion of total freight turnover. The stability of the relationship would be affected even by a change in the internal composition of the basic-commodities' output-index, if the inter-industrial relations of these components differ significantly. The impact on the total industrial production of the economy of each activity is differentiated both in its quantitative aspect (that is, in terms of induced changes in production levels of other activities) and its location (that is, the specific

sector thus influenced.) The differential composition of the basic commodity index will thus occasion different patterns and quanta of traffic flows.

Another likely source of error would be the assumption that the traffic-output ratio of each of the commodities would remain constant. With development, this assumption would not stand in most cases. However, whereas such an assumption could be made for short term forecasting, only special conditions would warrant its use for long range projections.

Another variant of the same type of aggregative approach appears in the Brazilian study² of the United Nations Commission for Latin America. The study employs the method of determining the relationship between the volume of transport effected over a comparatively lengthy period and the volume of goods in circulation (including both domestic and imported output) to obtain the elasticity of demand for freight transport, which, when applied to the average annual rate of increase of goods in circulation, gives a probable rate of growth of the average annual demand for transport in the next few years.

This study which employs even greater degree of aggregation than the basic commodities approach suffers from the same defect of overgenerality. Transport activity enters as an input in almost all the sectors of the economy. Nevertheless, commodities differ markedly in their transport-orientation and transport needs. An over-all production index fails to give adequate weight to the differential transport needs of a differentially composed national output.

II

Input-Output Technique

Without entering into technical discussions pertaining to the theoretical background of the input-output analysis, we might indicate here the use of this tool to determine

transport requirements and its particular relevance and advantages for our problem. Suffice to note here that the input-output analysis is based upon a general equilibrium approach to economic problems and is employed as a technique to study empirically the simultaneous inter-dependencies among the different parts of the economic system as revealed through co-variations of its various measurable magnitudes. Since the conceptual scheme of the input-output table presents data disaggregated into the processing, the final demand and the factor-payments structure, it is possible to study the relationships among them. Among its many uses, relevant to our study, is the production requirements analysis and the implications of such requirements in terms of resource utilisation. It is possible, in our case, to derive transport requirements of a production programme, with the knowledge regarding the input-output relations prevailing in the economy.³ The inverse of the matrix of input coefficients⁴ can give the direct and indirect requirements of transport services for specified deliveries to final demand and thus brings out the transport-dependence of each of the sectors of the economy. Not only the impact of a production plan on transport sector can be known but also the implications of such a projected transport development on other resources can be derived directly from the table and its inverse.

From the point of view of transportation planning the regional input-output tables would be of immense use. The regional models permit the effects of a given national development to be broken down into regional components. The demand for and the supply of commodities varies between regions, interacting with locational patterns of production and consumption, thereby influencing commodity-flows in the economy. The construction of regional models, however, has been undertaken on a very

limited scale; thanks to the deficiency of appropriate statistics, apart from conceptual difficulties as, for example, of defining an economic region.

Disaggregative Picture

The principal advantage of the input-output technique over the aggregative approaches is the disaggregative picture of the economy it offers, highlighting the interconnected nature of the various activities. By giving a disaggregative picture of the planned national product it allows for the use of different traffic-output ratios for different sectors. Again, the inter-industrial relations of each industry are diverse depending upon their input structure and the pattern of dispersal of their output. The direct and indirect requirements of transport in respect of each industry differ and, as such, consideration of only the direct impact on transport of a sector will give a distorted picture of its ultimate transport needs.

The need to determine the indirect together with the direct transport requirements of specified output deliveries to final demand becomes all the more important under a mixed economy set-up. The institutional factor, in such a case, puts a constraint on complete target setting for all activities since not all of them are under the direct control of the state. Generally, targets are specified for all activities under direct state control and for some of the important privately owned industries. The availability of the required inputs, net of planned imports, in adequate quantities to fulfil the plan programmes is, therefore, implicitly assumed. If targets were comprehensive, covering the entire field of activities and these were to satisfy the compatibility condition, an estimation of direct transport requirements alone would have been sufficient. However, in so far as activities are partially planned, the indirect requirements have necessarily to be considered in as much as they de-

note, together with the direct requirements, the output requirements in all the sectors compatible with the targeted programme. Moreover, as one finds from the analysis of traffic flows on Indian railways, the circular dependence of the transport system is significantly high. By circular dependence is meant the direct and indirect requirements of a sector (transport, in this case) for a unit delivery of output to final demand by the sector itself. The inter-industry relations data by giving the extent of such dependence can take care of another likely source of under-estimation.

From the point of view of planning, it is essential not only to know the total transport needs but also their sector-wise distribution. The additional transport capacity has to be provided in adequate amounts and located at the points where the highly transport dependent activities are situated. The inter-industry data facilitates such an analysis, since we can locate the transport requirements sector-wise and with supplementary knowledge regarding the existing and planned locational pattern of industries derive the probable geographical distribution of the prospective transport flows, allocating transport capacity accordingly.

Constancy Assumption

One of the objections raised against the use of the input-output method in our problem would be the assumed constancy of the traffic-output relation for each of the sectors in the projection. Apart from the fact that the other projective techniques suffer from the same defect, it may be noted that the input-output method has the advantage that such errors in the estimates as arise from this assumption are not treated as originating from a stochastic process as in the other projective techniques but are attributable (and distinguishable as such) to failure to estimate correctly the structural parameters. If there are fairly cognizable changes in the

traffic-output ratios of particular sectors, either because of a higher weight factor or changes in the length of haul, we can modify the final results accordingly. Thus, it may be that a new locational complex is planned ahead, with consequent changes in the length of haul of inputs or outputs or that a trend factor is identifiable in the historical series of average length of haul. Such changes, evolving through time, or in the making, could be neatly incorporated in the final results. If the changes are quite drastic requiring a revision in the input-coefficients themselves, the iterative procedure could be adopted to solve the new set of simultaneous equations.⁵ Even where the exact deviation from the assumed transport coefficient is not known, it would still be fruitful to know in what direction the estimate is biased. It would not be possible to locate errors in estimation in such a way, leave alone rectify them, in the aggregative regression techniques.

III

General Characteristics

Coming to the general characteristics of these projective techniques we might note here that locational dynamics—the interplay of industrial location on transport evolution and of new transport layouts on industrial activity—remains yet to be brought within the range of these techniques. They are thus better suited as a short term projecting device. In a country with no prospects of extensive geographical growth and long established lines of transport, the analysis of traffic generation may well centre around regional movements of goods in volumetric terms. In a country, on the other hand, seeking new avenues for industrial location and carving out new territories, the role of transport facilities acting as an initiator of economic activities might be significant, in which case the appropriate kind of traffic analysis must take account of sites of such activities—already established or prospective ones—and must

estimate in each case the inter-regional and intra-regional movements of merchandise, relating them to different transport alternatives. For such a study detailed statistics pertaining, *inter alia*, to inter-regional demand patterns, input requirements of each industry, prospective investment decisions of the community in response to alternative transport lay-outs, would be required. Failing this statistical equipment, the nearest approximation would be inter-industry data supplemented, by a table giving the probable average hauls of the commodities in terms of which the inter-industry flows are analysed.

The distribution of load as between the different modes of transport poses both a problem in policy formulation as well as statistical estimation. In the two studies, referred to above, the historical trend of the growth of different transport agencies has been utilised as a basis to estimate prospective requirements. Blackman, in his study, assumes that the growth rate for other modes of transport will be higher than that for railways, considering the historical tendency for substitution of railways by road transport. The Brazilian study, on the other hand, assumes "for the sake of convenience" that the partial demand for various agencies of transport will grow at the same rate as aggregate freight. The distribution of total load between the different modes of transport will depend upon their relative rates of growth, the probable locational pattern, inter-carrier relations policy adopted by the Government and the type of industrial structure planned to be established or expected to be generated in future. It is observed that preference for one mode of transport against another is, in a great measure, influenced by commodity-composition of traffic. The expansion of consumer goods, for example, is associated with the speedy growth of automobile transport.

Perishable commodities like vegetables and dairy products, glassware, goods in smalls, etc. rely more on automobile transport than on railways. Insofar as dependence on one mode as against another is associated with commodity groups and the inter-industry transactions table records the different modes of transport as separate activities, the effects of changing composition of national product upon the relative uses of different modes of transport will be automatically allowed for in the input-output method. The impact of exogenous influences, like purposive policies adopted by the Government, as differentiated from the "structural" ones, however, will have to be independently estimated.

Capital Requirements

Given the additional demand for freight traffic in terms of the probable traffic-flows originating under a given production programme, capital requirements of such a transport supply will have to be carefully assessed, taking into consideration the extent of excess capacity available and the probable trends in efficiency of utilisation of existing capacity. Knowledge regarding both the direction of traffic flows and the commodity composition is indispensable for efficient planning of capacity creation and utilisation. If the new traffic flows are situated at the low-density points on railway network, the capital investment necessitated by them would be of a lower order than if they had arisen at already traffic-saturated points. Composition of traffic influences the required capital investment in two ways. In the first place, the loading conditions of different categories of goods are different, the lighter goods requiring more space and hence more rolling stock than heavier goods of equivalent weight. Again, since the gross weight of a train cannot exceed a level depending upon the tractive power of the locomotives, the locomotive requirements of the lighter goods,

in turn, are comparatively higher. The haulage of more number of wagons and trains further leads to the question of maintaining standards of operational efficiency requiring, at times additional investment in line capacity. Secondly, the composition of traffic affects capital requirements through the specialised nature of carrying capacity required by certain commodities. These, like petrol and chemicals, require special purpose wagons which have to be provided for in case of their deficient supply even if there were no general wagon shortage. Here again, the input-output approach with its sectoral breakdown of traffic requirements might prove more useful.

Technological changes influencing the input patterns in production and through them the prospective transport needs are of considerable significance. Such technological changes, for example, are the substitution of solid fuels by the transport-saving liquid and gaseous fuels, new methods of treating ores at pit-heads, more efficient use of by-products, etc. The projective techniques based upon the regression approach are not capable of handling such shifts. The input-output method could allow for changes in input structure if they are explicitly identifiable and measurable.

Price Changes

None of the projective techniques, outlined above, takes note of the effects of relative price changes in the economy which through inducing input substitution might affect traffic flows. Regional price variations might, through setting-up market laws into action, stimulate or retard inter-regional commodity movements; changes in the price of transport services themselves might affect cost and profitability calculations of producers and influence traffic flows thereby. These issues, real and important as they are, indicate the complexity of the problem. The fact that most of

the estimates in any planned programme are made under the assumption of constant prices is a testimony to the formidability of projecting price changes and consequent changes in the real structure of the economy.

Another factor that is not explicitly considered in all these projective techniques is the problem of "efficient" planning of traffic flows. Recent developments in linear programming techniques could be adopted to solve the problem of efficient utilization of transport capacity. Given the capacity restraint one could find out the optimal plan of allocating the transport capacity to fulfil scheduled deliveries to fixed market points from fixed production centres. Also, given the demand requirements and supply capacities at market and production points, respectively, according to commodities, traffic flows could be planned so as to minimise transport costs for a given freight rate pattern. (Whereas the latter type of application is primarily a firm problem, the former is relevant to the decision-making by transport agencies. The most efficient plan would be a combination of the optimal decisions of each individual firm regarding the most efficient routing of deliveries in order to minimise transport cost and the optimal plan of the transport agencies pertaining to the most efficient utilisation of transport capacity in order to fulfil the demand for transport services. The two types of decisions are in no way unrelated since the freight rate pattern, traffic flows and utilisation of transport capacity are mutually interrelated). Apart from requiring detailed statistics regarding composition and quanta of traffic at all nodal points, the full-fledged application of the linear programming methods on an economy-wide scale would require a considerable degree of centralised decision making. Attempts have been made, however, to apply them, at least partially, in the case

of a few basic commodities like steel and coal whose production is fairly concentrated and distribution regulated.

The projective techniques yield thus essentially a short term and an approximate view of prospective traffic flows. Successive approximation to reality seems to be the only solution to the complex problem. Despite certain shortcomings, already mentioned, the input-output technique could be profitably used to yield the first approximation.⁶

NOTES

1. "Transportation"; contributed to 'Soviet Economic Growth' (Ed) A Bergson (New York, 1953) (pages 126-161)

2. UNO: "Analysis and Projections of Economic Development"; Part II, (New York, 1956).

3. The mathematical basis of this procedure could be presented as follows:

If X_i = total output of sector 'i';
 X_{ij} = deliveries from sector 'i' to sector 'j'; X_{iD} = deliveries from sector 'i' to final demand; $a_{ij} = \frac{X_{ij}}{X_i}$

and n = number of sectors, we may represent in terms of matrix notation, the total outputs of the n sectors as a vector;

$$[X]_{n \times 1} = \begin{bmatrix} X_1 \\ X_2 \\ \vdots \\ X_j \\ \vdots \\ X_n \end{bmatrix} \quad \text{the intermediate flows as a matrix;}$$

$$[X_{ij}]_{n \times n} = \begin{bmatrix} X_{11} & X_{12} & \dots & X_{1n} \\ X_{21} & X_{22} & \dots & X_{2n} \\ \vdots & \vdots & \ddots & \vdots \\ X_{n1} & X_{n2} & \dots & X_{nn} \end{bmatrix}$$

$$\text{as a vector } [X_D]_{n \times 1} = \begin{bmatrix} X_{1D} \\ X_{2D} \\ \vdots \\ X_{nD} \end{bmatrix}$$

$$\text{a matrix } [A]_{n \times n} = \begin{bmatrix} a_{11} & a_{12} & \dots & a_{1n} \\ a_{21} & a_{22} & \dots & a_{2n} \\ \vdots & \vdots & \ddots & \vdots \\ a_{n1} & a_{n2} & \dots & a_{nn} \end{bmatrix}$$

Then the system of equation could be written as:

$$[X] = [A][X] + [X_D] \text{ or } [I - A][X] = [X_D]$$

i. e. $[X] = [I - A]^{-1} [X_D]$ where $[I]$ is a unit matrix.

This implies that given the deliveries to final demand, $[X_D]$, the production levels required to support these can be derived, given the technical coefficients.

4. The 'inverse' of the input-output table, in its standard form, is defined as a matrix $[I - A]^{-1}$ where $[I]$ is the unit matrix and $[A]$ is the matrix of input coefficients, $a_{ij} = \frac{x_{ij}}{x_j}$; ($i, j = 1, 2, \dots, n$)

where x_{ij} = deliveries from the 'i' th sector to 'j' th sector and x_j is the total output of 'j' th sector, number of sectors being n . Each element z_{ij} in the matrix $[z_{ij}] = [I - A]^{-1}$ gives the total (direct and indirect) requirements of the output of 'j' th sector per unit delivery to final demand by the 'i' th sector.

5. The iterative method based on successive approximation, as summarized by Chenery, H B and Clark, P G (in their book, "Inter-industry Economics," London, 1959, page 30), is as follows:

$$\Delta X_1^{(1)} = Y_1$$

$$\Delta X_1^{(2)} = \sum_{j=1}^n a_{ij} X_j^{(1)}$$

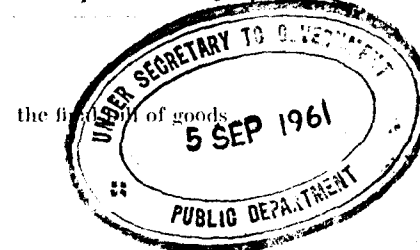
$$\Delta X_1^{(3)} = \sum_{j=1}^n a_{ij} X_j^{(2)}$$

$$\Delta X_1^{(n)} = \sum_{j=1}^n a_{ij} X_j^{(n-1)}$$

$$\text{and } X_1^n = \sum_{t=1}^n \Delta X_1^{(t)}, (t=1, 2, \dots, n)$$

where, Y_1 = initial final bill of goods;

$X_1^{(2)}$ = primary requirements of inputs to satisfy Y_1 ;



the final bill of goods

and the technical coefficients as

$X_1^{(a)}, X_1^{(4)}$... etc. are successive incremental outputs required

X_1^n = total (direct and indirect) requirements.

After computing sufficient number of rounds, the remaining incremental outputs could be approximated by adding a residual

$\left(\frac{r}{1-r}\right) (\Delta X_1^{(a)})$ where $\Delta X_1^{(a)}$ is the increment in the last round and r = the average of the ratios of the last two increments for each of the sectors.

6. For an application of the input-output technique to derive railway freight requirements with the production targets of the Second Five Year Plan of India, see my unpublished thesis: "Techniques of Transportation Planning, with Particular Reference to Railways", University of Bombay, 1960.

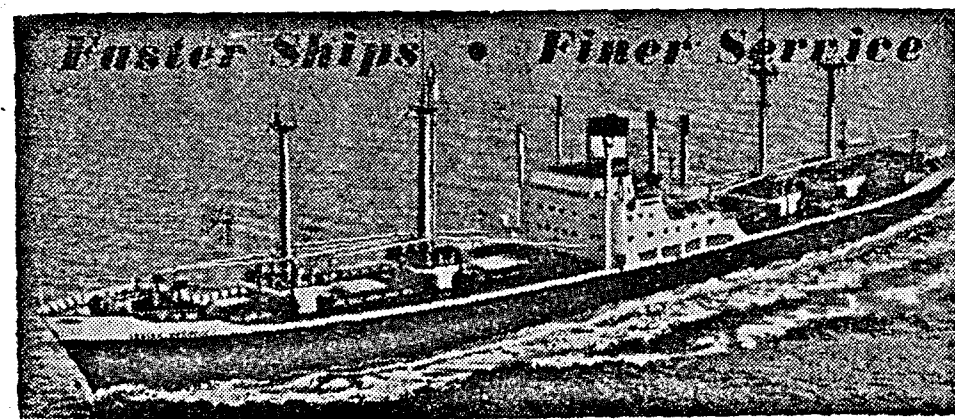
Synthetic Rubber Manufacture

A BEGINNING is being made with the manufacture of synthetic rubber in India. The first plant is being set up in Bareilly by Synthetics & Chemicals Ltd, a company formed jointly by Kilachands and the Firestone Tyre & Rubber Company of U S A. The plant is expected to produce 20,000 tons per year of styrene butadiene and copolymer.

Besides the Bareilly plant, Messrs Duncan Bros have obtained technical collaboration from Philips Petroleum Company for the setting up of a synthetic rubber plant in Assam. Output is expected to be 20,000 tons

per year of CIS 1-4 polybutadiene, and the plant will cost Rs 15 crores.

An analysis of the production targets envisaged in the Third Five-Year Plan indicates the considerable importance which synthetics are likely to assume in meeting the rubber requirements of the country. India's current consumption of rubber is estimated at 53,000 tons and this is expected to rise to about 100,000 tons by the end of the Third Five-year-Plan. During this period it is proposed to increase the production of natural rubber from about 26,000 tons to 45,000 tons and that of synthetic rubber from nil to 50,000 tons.



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Growth of Government Companies (1950-51 to 1958-59)

Uma Datta

An attempt is made here to estimate the value of total capital assets of government companies formed before October 1, 1958.

The conclusion that emerges is that the number of government companies as also the value of their capital assets registered a sharp rise after 1955-56. This rise was most marked in the case of companies owned by the Central Government.

Industry-wise break down of government companies reveals that government companies engaged in basic and heavy industries expanded the most.

In the concluding section of this note an attempt is also made to form an idea of the growth of the public sector as a whole in the period 1950-51 to 1958-59.

[The views expressed are those of the author and not of the organisation to which she belongs.]

UNDER planned development, countries in the early stages of industrialisation are likely to show a higher rate of growth in largescale manufacturing industries than in agriculture and small-scale industries. Further, the achievement of sustained growth of the economy would require that the basic and heavy industries grow at a much faster rate than either the overall economy or the consumer goods industries. Rapid industrialisation under these conditions is likely to lead to the accrual of the major portion of the benefits of the plan to a small section of the population unless proper measures are taken for more equitable distribution of the additional income generated. The extension of public ownership to new undertakings of primary importance as well as the expansion of utility services are two of the important measures for wider distribution of the net increase in national income. Champions of the private sector have expressed anxiety at the expanding role of the public sector on the ground that such expansion would give more economic power to the government. However, it is necessary to keep in mind that the government is the principal agency speaking for and acting on behalf of the community as a whole and is the proper authority for the enactment and implementation of such measures as would ensure proper utilisation and equitable distribution of the benefits of the plan.

The public sector in India would cover civil administration including defence (Central and State Governments, local authorities, municipalities, port trusts etc), departmental commercial undertakings (forests,

irrigation schemes, electricity schemes, quarries etc), government companies, as also services like the railways and communications. The information on national income and other related aggregates at present published annually in the 'Estimates of National Income' * contain current and capital accounts of public authorities, comprising administration and departmental commercial undertakings including railways and posts and telegraphs, but no similar estimates are available for government companies.

Scope and Definitions

The present development programmes of the government include expansion of the public sector through ownership of key industries as one of its primary objectives. This covers increase in government participation in such industries as are basic for economic development and require

* "Estimates of National Income, 1948-49 to 1959-60" is the latest of the series published annually by Cabinet Secretariat.

establishment of large scale units with heavy investment.

For fruitful implementation of such a programme, government companies as distinguished from non-government companies in the corporate sector were statutorily brought into being with the effective operation of Companies Act, 1956 from April 1, 1956. According to section 617 of the Act, a government company refers to 'any company in which not less than 51% of the share capital is held by the Central Government or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments'.

Since their coming into being, government companies, though small as a proportion of the total number of companies in the corporate sector, have registered rapid increase. The number of government and non-government companies are given in Table 1 and 2. Thus during 1959-60, 22 new government companies

Table 1: Government and Non-Government Companies

Year ended 31st March	Number			Paid-up capital (Rs crores)		
	Govt	Non-govt	Total	Govt	Non-govt	Total
1956	61	29813	29874	66.0	958.2	1024.2
1957	74	29283	29357	72.6	1005.0	1077.6
1958	91	28189	28280	256.8	1049.5	1306.3
1959*	103	27376	27479	424.2	1085.6	1509.8
1960*	125	26796	26921	468.4	1124.7	1593.1

Table 2: Public and Private Government Companies

Year ended 31st March	Number			Paid-up capital (Rs crores)		
	Public	Private	Total	Public	Private	Total
1958	41	50	91	18.0	238.8	256.8
1959*	37	66	103	19.1	405.1	424.2
1960*	35	90	125	25.2	443.2	468.4

* Provisional

Source: "The Corporate Sector in India" by R K Nigam and N C Chaudhri.

were registered with a total capital of Rs 44 crores as against 12 and 17 new government companies registered in 1958-59 and 1957-58, respectively. The distribution of the government companies by ownership presented in Table 3 shows that nearly one-third of the total number of companies are owned exclusively by the Central Government while more than half are owned by State governments alone.

Table 3 : Ownership of Government Companies [1958-59]

Ownership	(Amount Rs crores)		
	Number	Authorised capital	Paid-up capital
1 Central Government	31	639.65	387.10
2 Central & State Government	7	23.05	13.64
3 Central, State & Private	6	17.10	11.63
4 State Government	59	21.29	11.85
5 Total	103	701.09	424.22

Source : 'The Corporate Sector in India' By R K Nigam and N C Chaudhri.

An attempt is made in this paper to study the growth of government companies since 1950-51. This analysis has been attempted from two different aspects viz, capital assets and capital formation as also the wage bill. Since many of these companies are still to go into production and many more have not begun full production, total wage bill, rather than value of output, was considered to be the relevant indicator for a study of the share of government companies in net output of the country. The data used for the purpose of the analysis have been mainly taken from the published balance sheets and profit and loss accounts of the individual companies. Subsequently the growth of the public sector as a whole has also been measured in terms of capital formation and compensation of employees and compared to the growth of the economy as a whole.

The scope of the aggregates, viz, capital assets, wage bill etc, have been taken to be the same as the accepted definitions normally used for national accounts and economic analysis. Thus net fixed assets refer to the total stock of physical capital like land, buildings, plant and machinery, furniture and other office equipment, electrical installation and capital work in progress. Depreciation as reported in the profit and

loss accounts has been deducted to obtain the net value of capital stock. Value of capital assets in transit and money paid to contractors for any capital work under progress have not been included. The total capital stock covers both fixed assets as well as current assets. The estimates of the latter cover all non-monetary, non-capital assets in the form of stock and stores of raw materials, finished and semi-finished goods as well as work in progress, works stores etc. The net addition to capital or investment in any particular year has been taken to be equivalent to the increase in the value of capital assets during the year over the previous year or as the net expenditure on fixed capital plus net changes in inventories during the year. Compensation of employees covers wages and salaries and other remuneration in cash and kind (e.g. bonus, employers' contribution to social security, housing facility and uniform to staff).

The results of the analysis have been presented in two parts. The first section covers the discussion on capital assets and capital formation while the second part discusses the trend in wage bill.

The study extends over the period 1950-51 to 1958-59, i.e. nine years since 1950-51, and thus covers the First Five Year Plan period as well the first three years of the Second Five Year Plan. However, the government companies acquired prominence only after the enactment of Companies Act 1956. Besides most of the companies came into existence only after March 31, 1955. Also the government's policy of expanding the public sector, particularly in heavy and basic industries, was enunciated clearly for the first time in the Second Five Year Plan. The data therefore have been analysed for the years 1950-51, 1954-55, and 1955-56 to 1958-59. For brevity, in some cases the results for 1950-51, 1955-56 and 1958-59 only have been presented.

Capital Assets

No company which was registered after October 1, 1958 has been included in the present analysis. Banking companies coming under the purview of government companies have also not been included as the structure and economic behaviour of banking companies are basically different from those of

other manufacturing and service industries. New companies have been included in this study as and when they came into existence. As a result, the number of companies included each year has gradually increased. But this is essential for a comprehensive picture of the growth of government companies taken as a whole.

Though the estimates are based on the information available in the annual reports of the companies, for a few of the undertakings it has not been possible to obtain these reports for one or more of the years under study while for a few others the details for none of the years were available. In the case of the former, when the data were available for two or more years, the figures for the rest of the period have been estimated on the basis of this trend in capital expenditure etc along with other related indicators. In those cases where the data for only a single year were available, in the absence of any other information, these were repeated. However, this method had to be resorted to only for a small proportion of the total number of companies most of which, besides, were not in their initial stages of development and hence were not likely to have an uneven pattern of growth. For the second group of companies there were no balance sheets available, the only information that could be made use of, related to the authorised capital of these companies. In such cases, the ratios of authorised capital to capital assets etc of similar companies, along with the ratio of authorised capital in the two sets of companies, have been used to estimate the relevant aggregates. For arriving at these ratios, to the extent possible, similar sets of companies which have been registered about the same time with the same levels of authorised capital have been selected. However, the total authorised capital of the companies for which no basic data on balance sheets etc were available and estimates had to be obtained, formed less than 0.5 per cent of the total authorised capital for all government companies for the year 1955-56. For the subsequent years the coverage of available data was even more comprehensive and the proportion of the estimated figures in the overall total was negligible.

In the light of the above discussion of the scope of the study, we

may now present the estimates of capital assets of government companies by types as well as by ownership (see Tables 4 and 5). The two tables present an interesting picture of the growth of government companies. The total assets of government companies were negligible in 1950-51 and of these those of companies owned by the Central Government alone were insignificant. The total assets have, however, shown a marked rise since 1955-56 and by 1958-59 they were as much as 4 times the 1955-56 level. The rise has been even more marked for companies owned by Central Government. Thus the share of the Central Government in the total assets of government companies, which was only 3 per cent in 1950-51, rose to 63 per cent in 1955-56 and to 82 per cent in 1958-59. This rise has been at the cost of the industries owned by State Governments alone. Between 1955-56 and 1958-59, the capital assets of Central Government companies increased nearly seven times while for all companies the increase was a little over 4 times.

Industry-wise Breakdown

It might also be interesting in this connection to present the data by types of industries as well (See Table 6). Thus, as might have been expected from the government's policy of developing basic industries, the iron and steel industry has registered a phenomenal rise since 1955-56. Iron and steel, together with machinery and equipment, which formed less than a quarter of total capital assets of government companies in 1955-56, accounted for as much as 53 per cent of the total assets in 1958-59. Of the total assets of government companies again, the rise in capital assets of manufacturing and mining companies has been more than in those of either all government companies or transport companies. Generally therefore, government companies have recorded rapid growth since 1955-56 and of this again iron and steel industries have shown the maximum rise in terms of type of industry while from the point of view of ownership this rise has been most marked in Central Government companies.

As had been mentioned earlier, the public sector in India includes administration, departmental commercial enterprises as well as govern-

ment companies, the latter coming into prominence since the beginning of the Second Plan only. The total capital formation in the public sector since 1955-56 next presented, covering both administration and enterprises (except statutory corporations which are set up by special Acts of the Parliament and are neither governed by the Companies Act nor treated as departmental undertakings). Public electricity undertakings, which are one of the most important enterprises in the public sector, and are either departmental commercial undertakings or boards under the respective State Governments or Local Authorities, have also been included in this definition of public sector. Table 7 presents

Table 4 : Assets of Government Companies by Types

Year	Assets (Rs crores)			Index of increase (1955-56=100)	
	Net fixed	Current	Total	Fixed	Total
1950-51	11.51	7.17	18.68	20.4	22.0
1955-56	56.52	28.50	85.02	100.0	100.0
1956-57	77.76	40.48	118.24	137.6	139.1
1957-58	121.40	78.46	199.86	214.8	235.1
1958-59	203.44	167.41	370.85	360.0	436.2

Table 5 : Assets of Government Companies by Ownership

Ownership	Value (Rs crores)			Percentage to total			Index in 1958-59 (1955-56 = 100)
	1950-51	1955-56	1958-59	1950-51	1955-56	1958-59	
1 Central	0.57	42.95	299.10	3.1	63.4	81.7	696.4
2 Central & State	4.15	8.10	24.50	3.5	6.4	2.8	191.5
3 Central & private	0.03	8.51	13.11	42.5	7.3	2.8	191.5
4 Central State & private	3.75	9.39	12.19	12.0	3.5	3.5	136.7
5 State	10.18	16.06	21.95	54.5	13.8	5.6	136.7
6 Total	18.68	85.01	370.85	100.0	100.0	100.0	436.2

Table 6 : Assets of Government Companies, by Industries

Type of industry	Value (Rs crores)			Percentage to total		Index in 1958-59 (1955-56 = 100)
	1950-51	1955-56	1958-59	1950-51	1955-56	1958-59
1 Iron & steel	Neg	3.00	177.79	2.1	40.1	5916.7
2 Machinery & other equipment	6.01	25.16	54.65	20.3	12.6	217.2
3 Fertilizers, etc	4.29	32.29	72.25	49.2	25.2	223.8
4 Other mfg & mining	7.55	17.79	41.20	16.6	12.8	231.6
5 Total industry & mining	17.85	78.24	345.89	88.2	90.7	442.1
6 All others, including transport & financial	0.84	6.77	24.96	11.8	9.3	368.7
7 Total	18.69	85.01	370.85	100.0	100.0	436.2

Table 7 : Net Capital Formation in the Public Sector 1955-56 to 1958-59

Groups	(Rs crores)				Total since beginning of Second Plan (1956-57 to 1958-59)
	1955-56	1956-57	1957-58	1958-59	
1 Capital outlay in					
(a) Administration	177	177	177	187	541
(b) Departmental commercial enterprises*	293	402	518	498	1418
(c) Total: Public authorities	470	579	695	685	1959
2 Less financial assets	18	44	152	204	400
3 Net capital formation in					
(a) Public authorities					
[1 (c) - 2]	452	535	543	481	1559
(b) Government companies	15	33	82	171	286
(c) Public electricity undertakings	65	171	170	192	533
(d) Total: Public sector	532	739	795	844	2378

* Including railways and communications.

the net capital formation in the public sector since 1955-56. The figures of capital formation by the public authorities have been obtained from 'Estimates of National Income, 1948-49 to 1959-60' and the *Monthly Abstract of Statistics* while the estimates for public electricity undertakings are obtained from *Public Electricity Supply, All India statistics*.

The estimates presented in Table 7 show that there was a substantial rise in investment in the public sector since the beginning of the Second Plan. Thus in 1958-59, the overall investment was nearly 60 per cent above the level of the last year of the First Plan. For government companies this rise has been much more sharp, from Rs 15 crores in 1955-56 to Rs 171 crores in 1958-59. For public electricity undertakings also, the level of net investment has recorded a substantial rise.

Considering the performance of the public sector since the beginning of the Second Plan, it is found that the total investment over the first three years of the Plan has been of the order of Rs 2378 crores. The planned investment in the public sector over the Second Plan period is expected to be of the order of Rs 3650 crores, besides the capital formation by public authorities outside the Plan if any. It may, therefore, be concluded that if the trend discerned in the first three years was maintained the public sector would have at least covered the gap of Rs 1372 crores in planned investment during the last two years of the Plan, if not exceeded it.

Compensation of Employees

For a measurement of the performance of any given enterprise or sector net value of output is one of the most comprehensive measures. Government companies came into prominence only after April 1, 1956, and most of these companies were formed even more recently. Besides, most of these companies are capital intensive and a reasonable lag is to be expected between capital expenditure on the project and its going into full production. As regards government administration, its net output is measured in terms of the wages and salaries paid. To form an idea of the level of output of the sector, an attempt has next been made to study the trend of 'wage and salary payment' in the public sector since 1950-51 and compare it with

Table 8 : Compensation of Employees in the Public Sector

Groups	(Rs crores)				
	1950-51	1955-56	1956-57	1957-58	1958-59
1 Administration	430	570	610	660	730
2 Departmental commercial undertakings					
a) Railways	115	149	156	174	186
b) Others	48	69	77	80	86
3 Government companies	2	9	14	20	24
4 Public electricity undertakings	2	3	5	7	8
Total	597	800	862	941	1034

Table 9 : Wage and Salary Payment in the Public Sector Compared to Growth of National Income and Net Output in Manufactures

	(1955-56 = 100)		
	Wage & salary payment in public sector	Total national income	Net output* in manufacturing, commerce & services
1950-51	74.6	95.5	85.0
1955-56	100.0	100.0	100.0
1956-57	107.7	113.3	106.0
1957-58	117.6	114.1	112.6
1958-59	129.2	126.2	117.6

* Includes: mining, factory establishments, small enterprises, communication, railways, organised banking and insurance, other commerce & transport, professions and liberal arts, government services (administration) and domestic service.

the net output of the economy as a whole.

Compensation of employees is here taken to include wages, salaries and other remuneration, in cash and kind. Wages and salaries would cover supplements like bonus, provident fund, and employers' contribution to social security. However, managing agents' commission, travelling allowances and other similar expenses have not been included as part of compensation of employees. Table 8 gives the trend in wage payment in the public sector since 1950-51. Thus, wage and salary payment in the public sector has nearly doubled since 1950-51. Government administration forms the largest component in the total and though the growth of both government companies as well as public electricity undertakings has been substantial neither yet forms a sufficiently large part of the public sector in this respect.

Table 9 presents the trend in wage and salary payment in the public sector along with the indices of overall national income and net value of output excluding agriculture, i.e. of manufacturing plus services sectors. Thus, it may be seen that the return for labour of employees in the public sector has moved in line with the rise in national income. This has mainly been due to the rise in compensation of employees in government administration. A preliminary study of distribution of

national income by factor shares* leads to the conclusion that nothing definite can be stated regarding any change in the share of wages and salaries in total national income in recent years. If, therefore, it is assumed that this proportion has remained more or less steady during the last decade, it can safely be stated that the employees in the public sector have proportionately benefited to the same extent as the rise in the net value of output of the economy.

* 'Breakdown of National Income by Distributive Shares in India' by M. Mukherjee, presented at the Second Indian Conference on National Income, 1959.

Technical Personnel

ACCORDING to present estimates, there would be no general shortage of graduates in engineering and technology during the Third Plan. In the case of diploma holders, it was expected there might be a shortage of about 18,000 on the basis of facilities created by the end of the Second Plan. This information was given by Shri S N Mishra, Deputy Minister for Planning, in reply to a question in the Lok Sabha recently.

The minister added, the shortage of diploma holders, having a training of three years duration would be made up through the provision of additional facilities in the initial years of the Third Plan.

From the Chair

The Life Insurance Corporation of India

Statement by the Chairman, Shri P A Gopalkrishnan, I C S

In a world of ever increasing commodity prices, life insurance policies in India cost less today than at any time during the last fifteen years or so, says L I C Chairman.

THE following is the Statement by Shri P A Gopalkrishnan, Chairman, at the 64th Meeting of the Life Insurance Corporation of India, held in Bombay on August 28, 1961 to discuss Annual Report and Audited Accounts for the year 1960 :—

Gentlemen,

I have great pleasure in welcoming you all to this fifth anniversary meeting of the Corporation. We have assembled here today to consider the draft of the Annual Report and Audited Accounts of the Corporation to be submitted to Government under Section 27 of the Life Insurance Corporation Act. These have already been circulated to all the Members.

New Business

The Corporation is now five years old. During this period, the second Five Year Plan of the country has come to a close and considerable progress has been made in all fields of economic activity. The national income at current prices has risen from Rs 9,980 crores in 1955-56 to Rs 12,840 crores in 1959-60. On the other hand, the general price level has also increased hitting middle-classes with fixed incomes. These classes form the bulk of our policyholders and we have been finding it extremely hard to get business from them. To add to our difficulty, there were in 1960 widespread floods in Punjab, Uttar Pradesh, Bihar and Orissa, drought in Mysore and Andhra Pradesh and linguistic disturbances in Assam. Our business in these areas was adversely affected by these factors. We had also to contend with rival demands made by the various forms of savings propagated by banks and the Government.

In spite of all the above factors, our new business last year was Rs 498 crores covering 1.26 million policies as compared with Rs 429 crores in 1959 covering 1.15 million policies. The premium income increased from Rs 84 crores in

1959 to Rs 97 crores in 1960 and the total income exclusive of refund of tax from Rs 105 crores to Rs 122 crores. In 1955, the year immediately preceding nationalisation of life insurance, the premium income of all the companies was only Rs 58 crores and the total income Rs 74 crores.

Rural Development

We have been able to achieve these results and hope to improve upon them during the current year owing to our policy of systematically expanding business in the rural area. Field Officers have been allotted exclusive rural territories in which they are building up a net-work of agency force. In some States, we have been utilizing the agency of Panchayats and Co-operative Societies for securing rural business. Rural publicity has been intensified and life insurance literature is now distributed through Community Development Blocks and village panchayats, in addition to our normal channel of distribution through our own branch and sub-offices. Jeeps have been supplied to all divisions and a mobile publicity van equipped with projector and films has been provided to each zone as an experimental measure. These vans visited over 3,400 centres in 1960 and secured spot business of about Rs 37 lakhs. Approximately, 26 lakhs of people attended the meetings convened by the officers-in-charge of these vans. Seeing the future prospects for rural business revealed by this mobile van publicity, we have supplied an additional van to each Zone during the current year. The spot business secured by these vans during the first half of 1961 is as much as Rs. 61 lakhs. In the Southern Zone, we have gone a step further by converting the mobile publicity van into a mobile insurance office. This Office underwrites business and issues policies on the spot. The experiment has been recently extended to the Northern Zone also and will be ex-

tended to other areas if it proves a success.

Non-Medical Business

Another significant step that we have taken in the current year is to extend non-medical business, i.e., insurance without medical examination, to all those within certain age groups whose total insurance does not exceed Rs. 2,000. This will help us to secure more and more business from the rural areas. Non-medical business to special categories of persons in civil employment has been increased upto a limit of Rs. 5,000 and to category 'A-I' of the Commissioned Officers in the Armed Forces upto a limit of Rs. 10,000.

Foreign Business

In the foreign countries, where we operate, conditions were not quite favourable for life insurance business in 1960. Political uncertainty in East Africa led to a flight of capital and fall in the business secured from the Indian community. In 1960, however, we started insuring African lives and we got a certain amount of business from this source. There was considerable damage in Mauritius by a cyclone and in Fiji Islands by a prolonged strike of cane growers. Nevertheless, we completed in all Rs. 9.7 crores of new business during the year as against Rs. 9.47 crores in the previous year.

Foreign Exchange Earnings

Although our foreign business is very small compared to the business that we are doing in India, it is very important from the point of view of foreign exchange. Our net earnings of foreign exchange per year amount approximately to Rs. 2.5 crores.

Business in Force

The total business in force at the end of 1960 was Rs. 2,285 crores covering 7.7 million policies as compared with Rs. 1,958 crores covering 6.9 million policies at the end of 1959. These figures include the

business outside India which increased from Rs. 103 crores in December 1959 to Rs. 109 crores at the end of 1960. In this connection, I would like to refer to the phenomenal growth of life insurance in India during the last ten years and, particularly, after nationalisation of the industry five years ago. The life business in force in India has almost trebled during this period. To this remarkable increase, the contribution made by the private sector companies during 1950-55 was Rs. 380 crores. During the following five years, the increase has been as much as Rs. 1,048 crores. Expressed as a percentage of the national income, life business in force has increased in the country from about 11% in 1955 to 17% at the end of 1960. As these figures do not include the comparatively small amounts of business on the books of the Postal Department and a few State Governments, the percentage of business in force at the end of 1960 should be more than 17.

Yield from Investments

The income from interest, dividends and rents before deduction of income-tax rose to Rs. 23.96 crores from Rs. 20.98 crores in 1959. During the five years from 1955 to 1960, the income from this source has more than doubled. The gross interest yield on the Life Fund was 4.58% as compared with 4.54% in 1959 and 4.52% in 1958. This steady increase in the yield on our investments has been brought about mainly by the judicious manner in which we are making investments from year to year.

Life Fund and Assets

The Corporation's Life Fund has registered a significant increase from Rs. 495 crores in 1959 to Rs. 560 crores in 1960. The total assets have similarly increased from Rs. 554 crores in 1959 to Rs. 622 crores in 1960. Net investments of all kinds made in 1960 amounted to Rs. 63.62 crores as compared with Rs. 35.04 crores in the previous year. The total Stock Exchange investments as on 31st December 1960 had a book value of Rs. 471 crores. Their market value on the same date was higher by nearly a crore of rupees. There is, moreover, a reserve of Rs. 13.41 crores to offset any future fall in the market value of these investments and it is proposed to keep this reserve in tact for the present.

Housing

Owing to the acute housing shortage in the country, the Corporation decided to build its own staff and officers' quarters at different places and step up housing loans to State Governments, Cooperative Housing Finance Societies and other institutions. Besides, in granting mortgage loans against the security of buildings, the Corporation shows special consideration to applicants wanting loans for constructing or completing residential buildings for their own use. From the commencement of these schemes within the last two years up to March of this year, the total housing loans sanctioned by the Corporation amount to Rs. 23.05 crores. These loans have not yet been fully utilised by the agencies which received them. According to information available with us, the State Governments have so far sanctioned loans for the construction of 3,859 middle class houses and 4,238 State employees' houses. The Cooperative Housing Finance Societies and other institutions have disbursed loans for the construction of 2,795 houses and the Corporation itself has constructed 264 quarters in India besides sanctioning loans to its employees' Co-operatives for building 116 houses. The number of houses, for whose construction or completion mortgage loans have been sanctioned is, 95. Thus, the total number of houses constructed or under construction in the country with the aid of L.I.C. funds is 11,367. The Corporation has also indirectly helped the relief of housing shortage by putting up or completing office building worth Rs. 3.91 crores during the last five years.

Expenses of Management

Turning to expenses of management, 1960 was a difficult year. The cost of administration has been going up owing to various reasons such as increase in the prices of stationery and printing and of conveyances and their maintenance. Higher rates of conveyance and travelling allowances had to be sanctioned for certain categories of touring officers. The penetration of the rural area and organization of publicity in the villages are costing more than the procurement of business in the cities and towns. Above all, we had to sanction from 1st April 1960 an ad-hoc increase of Rs. 15% in the dearness allowance paid to all our officers and

staff drawing upto a salary of Rs. 500% per month. This alone increased our expenditure in 1960 by Rs. 46.44 lakhs. However, by effecting economies, wherever possible, and keeping a strict control on recruitment of staff, it has been possible for us to keep down our expenses of management. The overall expense ratio of the Corporation fell from 28.7% in 1959 to 28.4% in 1960 but the renewal expense ratio, which is the real indicator of economy of management, remained practically constant at 12.9%. Had it not been for the factors mentioned above, the renewal expense ratio might have been nearer 12% than 13%.

Claims Paid

Maturity benefits to owners of policies amounted during the year to Rs. 23 crores and death benefits to Rs. 8 crores. The total claims during the year thus amounted to Rs. 31 crores as compared with Rs. 28 crores during 1959. During the four years and four months ending with December 1960, the total benefits to our policyholders and their beneficiaries by way of claims amounted to Rs. 113 crores.

Premium Rates

There has been a suggestion in certain quarters that since competition has been eliminated after nationalisation of life insurance and overheads have been reduced, the Corporation should examine the possibility of reduction in premium rates. I would like to point out in this connection that the premium rates charged by us are much lower than those charged in the past by Indian companies. For example, the rates charged by the Oriental Government Security Life Assurance Co. Ltd. from 1947 to 1953 under main insurance plans were 5% to 35% higher than the Corporation's rates. In 1954, there was a drastic reduction in premium rates by all the Indian companies, including "Oriental", and these reduced rates continued upto the date of nationalisation. In spite of this drastic reduction, the "Oriental" reduced rates were higher than the Corporation's rates by Rupee 1 per thousand sum assured or anything from 1% to 5% under various plans. Thus, while the price of every other commodity has been increasing, life insurance policies cost less today than at any time during the last fifteen years or more.

It is true that our mortality experience has been showing steady improvement and death claims have been going down as compared with the volume of business in force. While these factors should enable premium rates to be reduced, inflation and the resultant increase in the cost of administration and the higher cost involved in the expansion of rural business work in the opposite direction. All these problems are constantly under study in our Actuarial Department and if and when we find it possible, we shall certainly consider further reduction of premium rates.

Lapse Ratio

During the Second Plan Period, the general price level is estimated to have increased by 30% and the working class cost of living index by 24%. Inflationary pressures thus generated have begun to be reflected in the net lapse ratio of the Corporation. The lapse ratio which was 9.1% in 1956 came down to 6.4% in 1957 and to 5.1% in 1958. In 1959, it rose to 6.0% and in 1960 to 6.6%. The abnormal drop in the ratio of 1958 is partly accounted for by a necessary alteration in our system of treating policies as lapsed. Even so, it is clear that the net lapse ratio, which gradually fell after nationalisation, has begun to rise again. There are also certain other disquieting signs which show that some policyholders with fixed incomes and increasing commitments are finding it difficult to save enough and keep their policies alive. Loans to policyholders, which used to increase by roughly Rs. 1 crore per year till 1959, increased by Rs. 3 crores in 1960. Outstanding premiums, which similarly used to increase by Rs. 1 crore per year, have increased in 1960 by Rs. 2.5 crores. If inflationary pressures increase during the period of the Third Five Year Plan, it is bound to accentuate these tendencies and make it extremely difficult for the Corporation to keep down its lapse ratio. The only gratifying fact is that the 1960 lapse ratio of 6.6% is still well below the lapse ratio of 7.6% in the last year of life insurance management by the private sector companies.

Administrative Efficiency

The efficiency of our administrative offices has been steadily improving as a result of our training pro-

grammes and better supervision and control by the officers-in-charge. Practically, every Divisional Office has one or more instructors to train newly recruited assistants and also existing assistants who need training. Our Officers' Training College at Nagpur has already trained 536 officers and supervisory personnel. As more and more of our administrative staff are trained at these institutions, further improvement of the efficiency of our offices may be expected to take place. The improvement that has already resulted is evident from the big drop in the number of complaints received and also from the increase in the average output of our offices. In 1959, the monthly average of the number of complaints received in our various Divisional Offices and major I.H.O. Units was 3,274. In 1960, the number fell to 2,171 representing a fall of 33.7%, despite the increase in the number of policies. Similarly, the increased output of our offices will be evident from the fact that, while between 1957 and 1960, the number of new policies increased by 55% and the total number of policies on our books increased by 36%, the total staff of the Corporation increased only by 30%. Further steps are being taken to improve our systems and procedures for more expeditious despatch of business and also to assess the minimum staff requirements of each office on a more scientific basis than hitherto. These steps are bound to bear fruit in future years.

Field Efficiency

The Development Training Centres which we have started in all the Zones have been systematically training our field officers and agents. The number of persons trained so far is 5,214 field officers and 4,844 agents. This training as well as the experience gained by the field officers during the last five years have enabled them to increase their average output of new business from year to year. The average output in 1957 was Rs. 4.9 lakhs and it has increased by 60% to Rs. 7.8 lakhs in 1960. The average output of an active agent has increased by 55% from about Rs. 31,000/- in 1957 to about Rs. 47,900 in 1960. This improvement in average output is only partly accounted for by a 14% increase in the average size of a policy issued between 1957 and 1960.

Income-tax

The Corporation pays tax to Government just as the life insurance companies in the private sector used to pay in the past. Assessments upto the end of 1958 have been completed and the tax assessed amount to Rs. 4.36 crores. During 1959 and 1960, tax deducted at source amounted to Rs. 10.19 crores which will be adjusted against future tax assessments.

Dividend to Government

The capital invested by Government in the Corporation is Rs. 5 crores and, under Section 28 of the Life Insurance Corporation Act, upto 5% of the surplus that emerges at each valuation may be utilized for such purposes and in such manner as the Government may determine. The Government have indicated that in respect of 1957 & 1959 valuations the entire 5% should be credited to them. At the 1957 valuation, the share of Government was Rs. 1.45 crores. Deducting from this figure an amount of Rs. 71.5 lakhs which Government has agreed to contribute in respect of the policies of deficit companies taken over by the Corporation, the return to Government amounts to 11% per annum on their capital. In respect of the 1959 valuation it is estimated that the Government's share of the surplus would give them a dividend of 13% for each of the years 1958 and 1959.

Bonus Announcement

Our policyholders have been making anxious enquiries about the bonuses that would attach to their policies as a result of the 1957 and 1959 Valuations. Our field officers and agents have also been experiencing difficulty in securing with-profit proposals since bonuses have not yet been declared by the Corporation. I had hoped that it would have been possible for us to declare bonuses on the different groups of policies on our books by the middle of this year. The work involved took a slightly longer time, but everything was finalised sometime back and the regulations framed in this respect were submitted to Government for their approval. As soon as the approval is received, it will be possible for the Corporation to make its bonus announcement.

Five years is too short a period in the life of a new institution but we can be justifiably proud of what



A wonderful future wrapped in jute!

PREMCHAND's business is booming, and he couldn't be happier! As he scoops out the golden grain from its jute bag, little does he realise the tremendous importance of jute... the simple fibre that wraps up a wonderful future for his country's economy. A major item of export, Jute is today earning India precious crores in foreign exchange.

Alive to the nation's growing needs, the Mafatlal Group strides forward hand in hand with the country's economic and industrial progress. Today, the Group produces a wide range of products—textiles, JUTE, sugar, dyes and chemicals—for all types of people throughout the land.



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Alyars MG.394

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STANDARD, Dewas
NEW CHINA, Bombay
SASSOON, Bombay
NEW UNION, Bombay
SURAT COTTON, Surat
MAFATLAL FINE, Navsari
GAGALBHAI JUTE, Calcutta
INDIAN DYE STUFF, Bombay

we have achieved during this period. We are aware of our deficiencies and are constantly trying to overcome them. If we persist in our endeavour in a spirit of dedication, a day will soon come, much sooner than we expect, when we will be able to announce that we are much nearer the goals promised at the time of nationalisation than we are today. All that I can say is that we must hope and strive.

Before I close this statement, I sincerely thank all the Members of the Board and of the Investment Committee for their unstinting co-operation during the last three years and more that I have been Chairman of this organization. My thanks are also due as Chief Executive of the Corporation to all the senior officers who have loyally cooperated with me and performed their duties. Above

all, I am indebted to the thousands and thousands of our field officers and agents, without whose unrelenting efforts, the Corporation would not have been able to show such remarkable results during the last five years. Last but not the least, I am grateful to all those steady workers in the corporation's office who have not only kept up but improved upon the efficiency of the Corporation.

Around Bombay Markets

Equities Fall Further, But...

Thursday, Morning

THOUGH Dalal Street had only three sessions last week, turnover was by no means small because the market continued to be quite active in kerb dealings. Bears dominated the scene throughout the week and they were aggressive. Equities suffered a further sharp decline all-round and the market was at its worst on 29th August when Vyapar's equity share index touched a low of 134.29. This means that the Bombay market has lost nearly 70 per cent of the rise recorded between January and first week of June. Once again, the market last week suffered a further decline despite the absence of any particularly adverse news. It looked a clear case of bear hammering. Both the Calcutta and Ahmedabad Stock Exchange authorities have found it necessary to take measures in order to discourage aggressive bear selling. This should make its influence felt on the market, particularly because the downward trend has been in progress for quite a long while and the decline itself has proceeded far enough. The market has pushed its way through the April bottom and if it were to break the January bottom it would indicate a possible reversal of the primary trend itself which is difficult to imagine in face of the huge development expenditure envisaged under the third Plan.

The stock market's recent behaviour suggests that the decline in prices has been overdone, which, of course is a normal phenomenon of a speculative market. Technical considerations alone seem to warrant a sizable recovery. And it is quite likely that once sentiment takes a turn with the recovery in prices, the market will begin to show a better appre-

ciation of the basic factors which continue to encourage an optimistic view of the long-term outlook for equities. The joint congressional Committee for foreign aid has approved the U S President's five years' foreign aid programme, though the quantum of aid has been reduced from \$ 8,800 million to \$ 7,200 million and the programme has to be submitted for approval to the Congress every year. The outlook for aid from other sources is also quite promising. The political situation is a little fluid but the corporate news continues to be encouraging. The stock market can derive considerable comfort from reported recommendation by the Board of Directors of the Life Insurance Corporation to the Government that the Estimates Committee's suggestion for taking over of the Corporation's entire investible funds by the Government should be rejected. The market seems assured of satisfactory support from the LIC whenever equities suffer a precipitous decline. It is quite likely that the increase in Century Mill's interim dividend from Rs 10 to Rs 12 a share which has pushed the share's quotation from Rs 653 to 694 in Wednesday's kerb dealings may bring about a turn in the general trading sentiment. And all that is needed for reversing the existing downward trend in equities is the turn in sentiment. For the corporate news continues to be good.

Cotton

Prices Rise near Week-end

IT was a rather dull week for the cotton market. Spinner inquiry in ready was on a restricted scale,

partly because of the holidays. Activity in futures was predominately professional and of a jobbing nature. Fluctuations were irregular but narrow, reflecting lack of outside speculative interest. Prospects of a good crop and a large carryover discouraged follow-up support on the rise but persistent talk of a possible increase in ceiling prices of certain varieties like Bengal, Kalyan, Vijay B and Wagad and rumours of a further export quota for Bengal Deshi induced caution among bears. Near the week-end, however, futures firmed up on heavy short covering and fresh bull support on optimistic ideas about the official policy for 1961-62 season due to be announced any time. Jarilla March which had eased from Rs 595.25 to Rs 591.25 improved quickly to Rs 597.25 per 3 quintals.

Whether the trade's plea for a further export quota of 25,000 bales of Bengal Deshi will be accepted by the Government is not certain, though there seems little risk in releasing a further quota since there exists an exportable surplus and the outlook for the new Deshi crop, which will soon be in the market, is distinctly encouraging. A spokesman of the Gujarat cotton growers' deputation which recently met the Commerce Minister, Shri K C Reddy, is reported to have stated that the Government is not likely to allow the import of short-staple cotton and that even the import of long-staple cotton will be permitted after assessing the new crop position. The Commerce Minister is said to have assured cotton growers that they would be given proper representation on the advisory committees for cotton con-

trol order. The growers' representatives have also been assured that the system of compulsory survey will be abolished and that the mills will be allocated 50 per cent of their quota at the beginning of the season. This will help orderly marketing of the crop. Compulsory survey has no useful purpose to serve when prices remain well below the ceiling rates. Distribution control is also unnecessary when the supply position is known to be distinctly comfortable. If the 1961-62 crop turns out to be more than 50 lakh bales, as is generally expected it should be easily possible to do away with the quota system of mill buying in view of the large carryover. Official announcement of cotton policy for 1961-62 season is awaited with interest.

Oilseeds

Sharp Break in Prices

OILSEEDS prices last week suffered an all-round sharp decline. Groundnut January which had been bid up to Rs 219.87 on 21st August were sold down to a new low of Rs 213.25 on 29th August. During the same period castor March declined from Rs 172.37 to Rs 166.62 (per 250 kgs.), cottonseed January from Rs 93.50 to Rs 91 (per 250 kgs) and linseed March from Rs 38.31 to Rs 36.94 (per 50 kgs.). The fall was due both to persistent bear pressure and sizable nervous bull liquidation. Groundnut led the decline and selling here was prompted mainly by prospects of a bumper crop because of the continued favourable weather in almost all the producing areas. The damage due to pests and weevil attack in Saurashtra is reported to be insignificant and the crop in Saurashtra alone is estimated around 8 lakh tons. Ideas about the total crop this season range between 28 lakh tons and 31 lakh tons. This has produced a sizable decline in spot prices. Groundnut ready karad bold declined last week by about Rs 2.50 per 50 kgs from Rs 50 to Rs 57.50. The highest rate recorded during the season has been Rs 55.75. Groundnut oil ready lost about a rupee per 10 kgs over the week at Rs 20.60. The release of the 10,000-ton HPS quota has had no noticeable effect on the market. This is because the quota fell far short of the market expectations. The ceiling has been

reached within 4 days of the announcement of the quota on 25th August. The bulk of business has been done at around £ 83.10 for bold and £ 85 per ton for Java quality. The export trade has been disappointed by the small size of the quota. But New Delhi can hardly be blamed for not releasing a larger quota until the crop position is definitely known. If the crop turns out to be as good as is generally forecast at present, the trade can confidently look forward to a substantial export quota for groundnut.

Export Performance

While groundnut came under pressure on prospects of a bumper crop, selling in castor reflected the continued disappointing export performance of castor oil. Hardly any important business was reported done during the week, with the U K quotations mentioned nominally around £ 120 per ton for Commercial and £ 130 for BSS. Brazil was reported a seller of castor oil, first pressure, to the U S around 14.5 cents a pound. Exports of castor oil from India in 1961 are unlikely to exceed half of the previous year's figure. This will mean a sizable setback in export earnings from oils. Export houses reported moderate business in groundnut extractions last week but the prices realised were said to be lower than in the preceding week due to increased offerings from India. Groundnut extractions, 50 per cent, November-December shipment, were quoted around £ 30.2. Locally expellers eased from Rs 372 to Rs 358 per ton and extractions ready were subdued around Rs 322. Overseas interest in linseed cake was said to be poor and cottonseed cake also was neglected. Linseed futures were depressed by persistent north Indian selling.

Shipments of oil and oilcakes from Bombay since the beginning of the year up to 25th August with the corresponding figures for 1960 in brackets are: castor oil 18,885 metric tons (39,008), groundnut oil 157 (1,951), linseed oil 697 (5,080), groundnuts 10,119 (12,369), groundnut expellers 11,067 (15,253), groundnut extractions 71,404 (79,655), linseed cake 8,093 (34,954), and cottonseed cake 17,787 metric tons (1,712 metric tons).

Bullion

Prices Harden

BULLION prices recorded handsome gains over the week. Gold Bhadrava rose from Rs 122.80 to 124.30, receded to Rs 123.80, but improved quickly to wind up the week at Rs 124.50. Silver Bhadrava was marked up from Rs 203.55 to Rs 205.45, reacted to Rs 204.85, recovered to Rs 205.20 and closed at Rs 204.90. Improvement was due both to heavy short covering and fresh bull support induced mainly by the continued anxiety over the political situation. Speculators often talked about the Berlin crisis and they also expressed concern over the tense situation in the Punjab because of Master Tara Singh's fast and Shri Nehru's firm stand against a Punjabi Suba. Near the week-end reports of increased arrivals caused a small setback in silver and the discount on spot silver rose from 20 nP to 60 nP over the week. In gold however, traders reported good spot inquiry, particularly from the South, with the result that spot gold which was quoted at a discount of 15 nP at the previous week-end commanded a premium of 25 nP last week-end. Inquiries with the trade indicated a marked decline in arrivals of smuggled material. With the two optional delivery settlements over, the Bhadrava Sud 15 delivery contracts of gold and silver have entered the final compulsory delivery settlement. In view of the likely seasonal slackness in the off-take of precious metals in coming week, traders are inclined to discount prospects of any marked and sustained rise in bullion prices in the immediate future.

Academy of Management

DR S K BASU Director Hindustan Lever and President of Bombay Management Association, has been elected a fellow of the International Academy of Management by the Executive Committee of the Academy, which met recently in Paris. Dr Basu is the first Indian to achieve this distinction. The International Academy, which has its headquarters in Geneva, aims to preserve and promote the principles, philosophy and techniques of scientific management. Fellows of the Academy are elected in recognition of services furthering the objectives of the Academy.

Company Notes

INDIAN IRON FARES WELL

WHILE there is every reason for the shareholders of the Indian Iron and Steel Co Ltd to feel disappointed over the token increase in dividend from Rs 1.50 to Rs 1.60 per share recommended by the directors for the year ended March 31, 1961, a close study of the report and accounts should convince them that a more generous policy is not only unjustified but even unwarranted, in view of the note of caution struck by the chairman about the production prospects in the coming years. Obviously, the directors have taken the view that it would be difficult to maintain a higher dividend than that now recommended, in case the output during the current year falls short of the current level. There are reasons to feel that it would not be an easy task to maintain the level of output with the extremely high and varying ash content of the metallurgical coal. The erratic supplies of coal and the transport difficulties pose further problems.

To return to the performance during the year ended March 31, 1961, the output of pig iron has risen by 8.4 per cent to 1,160,576 tonnes and that of steel ingots and casting by 8.8 per cent to 914,159 tonnes. The increase in production of saleable steel is of the order of 7.3 per cent to 722,034 tonnes, while despatches of steel have gone up by no more than 3.92 per cent to 704,967 tonnes. A still more encouraging performance could have been achieved but for the transport difficulties caused by the Government employees' strike in July 1960.

Sale proceeds show an increase of Rs 5.54 crores, or 11.45 per cent to Rs 53.90 crores. This takes into account the provisional increase of Rs 51 per tonne granted by the Government in the steel retention price with effect from April 1, 1960. The gross profit (before providing for managing agents' commission, depreciation and taxation) has increased by Rs 1.29 crores to Rs 10.28 crores, raising the profit per ton of steel sold from Rs 132.5 to Rs 145.7, and the ratio of gross profit to sales from 18.57 per cent to 19.05 per cent.

The managing agents' commission absorbs Rs 30.95 lakhs against

Rs 37.22 lakhs. The provision for depreciation has been calculated on the "straight line" basis and the amount so provided is Rs 2.96 crores, compared to Rs 3.00 crores for the previous year. The tax provision is higher at Rs 1.66 crores, against Rs 64 lakhs provided last year. The net profit is higher by Rs 37 lakhs at Rs 5.34 crores, on account of the heavier tax liability. This gives an earning of Rs 4.14 per ordinary share, compared to Rs 3.86 per share for 1959-60. Thus, as against an increase of 28 nP per share on the earning, the directors have recommended a rise of 10 nP per share.

In view of the necessity to conserve the resources for repayment of heavy indebtedness and for financing further expenditure to be incurred on the extensions, the directors have chosen not to err on the liberal side in the matter of

dividend distribution, though as a token, they have raised it to mark the improved results.

Thus, the net addition made to the reserves amounts to Rs 3.11 crores against Rs 2.93 crores. Together with the depreciation provision, the total amount retained in the business is Rs 6.07 crores, against Rs 5.93 crores in 1959-60. The larger ploughing back has been done even after reducing the allocation to the statutory development rebate reserves from Rs 2.59 crores to Rs 1.66 crores and without providing anything to the "Extensions Special Reserve", which had received Rs 31 lakhs last year. Further, the excess of tax remission in respect of development rebate claimable on new plant over the actual tax saving which the company has written back out of the general development reserve is only about Rs 67 lakhs, against Rs 1.03 crores last year, and no sum has been written back from the steel prices equalisation reserve, against Rs 42.80 lakh brought in.

TATA HYDRO GROUP

THE operations of the Tata hydro-electric group of companies during the year ended March 31, 1961 show a substantial growth in load demands and supplies, the approximate increase over the previous year being 10 per cent. The clear profits too have exceeded the reasonable return by about 11.5 per cent, but all these do not mean anything to the shareholders, as the excess of clear profits over the reasonable return have been utilised entirely in accordance with the Electricity (Supply) Act to strengthen the various reserves. The distribution to the shareholders, which was raised last year by an increase in the bonus element from $\frac{1}{2}$ per cent to one per cent, has been restored to the 1958-59 level of 8 per cent, but subject to tax in all cases.

The three companies, together generated 2,372 million units of energy, against 2,138 million units on the previous year, the increase of 11 per cent being mainly accounted for by Trombay where the third unit of 62.5 M W was placed in commercial operation in June 1960. In addition, 65 million units of power were purchased from the Chola power system, against 57 million units in 1959-60, making a

total available supply of 2,437 million units. The total energy sold by the three companies amounted to 2,161 million units representing an increase of 11.5 per cent.

The larger sales reflect the rise in revenue, but this has been more than offset in all cases by an increase in expenses. This was more marked in the case of Tata Hydro. Consequently, there has been a sizable fall in the gross profit of Tata Hydro. In the case of the other two companies a set back in profit has been averted by the larger income from other sources.

Tata Hydro

The gross profit of Tata Hydro-electric has dropped from Rs 80.24 lakhs to Rs 69.52 lakhs, but the net profit at Rs 50.95 lakhs is higher by Rs 11.16 lakhs, in the absence of any tax provision, for which purpose a sum of Rs 20.78 lakhs was set aside last year. The managing agents' remuneration has been reduced from Rs 5.04 lakhs to Rs 3.18 lakhs, while the provision for depreciation has been raised from Rs 14.63 lakhs to Rs 15.39 lakhs. The rise in net profit together with the larger sum of Rs 3.62 lakhs brought in from last year (against Rs

29,433) has been utilised to strengthen the various reserves, which received in all Rs 27.57 lakhs, compared to Rs 11.89 lakhs added last year. A sum of Rs 1.30 lakhs has been used to provide arrears of depreciation and to write off intangible assets and other expenditure. The dividends on the 7 per cent preference shares and the ordinary shares absorb Rs 25.45 lakhs, against Rs 26.65 lakhs.

Tata Power

The Tata Power has earned a gross profit of Rs 158.81 lakhs, representing an increase of only Rs 4.26 lakhs over the year. The managing agents' remuneration gets Rs 5.48 lakhs, against Rs 8.32 lakhs and depreciation Rs 40.21 lakhs, against Rs 38.12 lakhs. While a sum of Rs 20.54 lakhs was provided for taxation last year, no provision has been made this year. Consequently, the net profit shows a rise from Rs 87.57 lakhs to Rs 113.12 lakhs. The allocations to the various reserves amount to Rs 66.05 lakhs, nearly Rs 30 lakhs more than that provided last year. A sum of Rs 1.08 lakhs has been utilised to write off arrears of depreciation and intangible assets, against Rs 1.04 lakhs last year. The distribution on the 7½ per cent preference shares and the ordinary shares at 8 per cent takes up Rs 47.25 lakhs, against Rs 50.33 lakhs.

Andhra Valley

The gross profit of the Andhra Valley is almost unchanged at Rs 71.73 lakhs (compared to Rs 71.45 lakhs for 1959-60). The managing agents' remuneration is, however, lower at Rs 1.57 lakhs against Rs 4.02 lakhs, while the provision for depreciation has been raised from Rs 21.32 lakhs to Rs 22.82 lakhs. As against Rs 36,000 provided last year for tax liability, no provision has been made this year. Out of the net profit of Rs 47.34 lakhs (against Rs 45.75 lakhs), a sum of Rs 17.75 lakhs has been added to the various reserves raising it from Rs 14.89 lakhs and Rs 1.77 lakhs (same as last year) for writing off arrears of depreciation and intangible assets. The dividends on the 7 per cent preference shares and ordinary shares will take up Rs 27.67 lakhs, against Rs 29.18 lakhs.

Even with the commissioning of the third unit at Trombay, the companies have had to look to Koyana

for power to meet additional load requirements. The State Electricity Board has promised power supply commencing with 40 M W in December 1961 and gradually raising it to 115 M W by December 1962, bringing the firm capacity of the system to 580 M W. It will, therefore, be possible for the companies

to meet the growth in load demand up to 1963. Mr J D Choksi, the Chairman, however, feels that unless new generating sources are created in 1964, the situation will become difficult and an energy shortage is likely to occur in 1965 and a capacity shortage a few years later.



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CURRENT STATISTICS

BANKING RETURNS

(Rs crores)

Reserve Bank	Aug 25	Aug 18	July 28	Aug 26 '60
1 Note circulation	1877.39	1899.86	1890.76	1776.59
2 Rupee coin	125.79	123.99	123.93	132.15
3 Deposits	345.63	343.74	290.96	307.86
(a) Central Govt	64.60	83.03	77.09	62.67
(b) Other Govts	19.93	13.17	20.56	28.46
(c) Banks	102.96	87.93	81.71	115.74
(d) Others	158.19	159.61	111.61	100.98
4 Foreign securities	116.86	116.86	93.01	123.01
5 Balance abroad	26.61	29.52	5.03	23.52
6 Rupee securities	1533.55	1553.49	1587.22	1431.65
7 Investments	284.51	274.57	241.11	245.25
8 Loans and advances to Govts	48.75	52.40	40.87	36.54
9 Other loans and advances	115.71	116.87	114.80	110.99
Scheduled Banks	Aug 18	Aug 11	July 21	Aug 19 '60
1 Aggregate liabilities	1869.12	1865.59	1869.63	1965.86
2 Aggregate deposits (net)	1794.50	1790.41	1794.76	—
(a) Demand (net)	713.68	710.18	719.78	773.48*
(b) Time (net)	1082.82	1080.23	1074.97	1192.38†
3 Cash in hand	46.77	44.88	46.19	47.03
4 Balance with Reserve Bank	80.53	75.80	100.09	113.51
5 (3) + (4) as % of (1)	6.81	6.47	7.82	8.17
6 Borrowings from Reserve Bank	1.54	3.46	1.92	25.01
(a) Against usance bills and/or promissory notes	0.51	1.80	1.01	10.85
(b) Others	1.03	1.66	0.91	14.17
7 Advances	1081.58	1086.82	1090.69	960.59
(a) State Bank	231.71	235.50	240.73	189.47
(b) Others	849.87	851.32	849.96	771.12
8 Bills discounted	106.51	106.91	111.69	102.92
(a) Inland	43.40	42.54	43.76	47.20
(b) Foreign	149.91	149.45	155.45	150.12
(c) Total	13.28	13.50	14.09	12.00
(i) State Bank	136.63	135.95	141.36	138.12
(ii) Others	—	—	—	—
9 (7) + (8c) as % of (1)	65.89	66.27	66.65	56.50
10 Investment in Govt securities	585.85	582.52	574.08	729.54
(a) State Bank	241.28	241.09	243.55	372.13
(b) Others	344.57	341.43	330.53	357.41
11 (10) as % of (1)	31.34	31.22	30.71	37.11
Cheque clearance	176.84	204.20	207.99	170.57

* 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 cent per annum)

(Selected Scheduled Banks other than the State Bank)	Aug 18	Aug 11	July 21	Aug 19 '60
Call Money from banks	2.16	2.95	2.88	3.51
Deposits:				
Seven days	3.00	3.00	3.00	3.00
Three months	—	—	—	3.50
Six months	3.75	3.74	3.74	3.49

Bombay Bullion

(Rs and nP)

	Aug 30	Aug 24	Aug 3	Sep 1 '60
Gold (per 10 grams)				
Spot	124.75	122.90	120.25	114.81
Forward	124.50	123.05	120.65	114.33
Silver (per kilogram)				
Spot	204.30	203.70	201.50	191.91
Forward	204.90	203.80	202.70	191.81

PRODUCTION ESTIMATES OF PRINCIPAL CROPS IN INDIA, 1960-61

(Thousand tons)

Crop	1960-61 (Final estimate)	1959-60 (Partially revised estimate)	Increased + or decrease — of col (2) as against col (3)	Actual Percentage
Rice	33,700*	30,963*	+2,737	+ 8.8
Jowar	9,085	8,004	+1,081	+13.5
Bajra	3,134	3,519	— 385	—10.9
Maize	3,915*	4,006*	— 91	— 2.3
Ragi	1,640	1,904	— 264	—13.9
Small Millets	1,949	2,029	— 80	— 3.9
Total Kharif				
Cereals	53,423	50,425	+2,998	+ 5.9
Wheat	10,648	10,089	+ 559	+ 5.5
Barley	2,734	2,674	+ 60	+ 2.2
Total Rabi				
Cereals	13,382	12,763	+ 619	+ 4.8
Total Cereals	66,805	63,188	+3,617	+ 5.7
Gram	6,207	5,502	+ 705	+12.8
Tur	2,044	1,667	+ 377	+22.6
Other Kharif				
Pulses	1,455	1,532	— 77	— 5.0
Other Rabi				
Pulses	2,761	2,833	— 72	— 2.5
Total Pulses	12,467	11,534	+ 933	+ 8.1
Total				
Foodgrains	79,272	74,722	+4,550	+ 6.1
Sugarcane (gur)	8,690	7,671	+1,019	+13.3
Groundnut	4,354	3,942	+ 412	+10.5
Sesamum	238	359	— 71	—19.8
Castorseed	98	106	— 8	— 7.5
Rapeseed & Mustard	1,380	1,047	+ 333	+31.8
Linseed	410	431	— 21	— 4.9
Total Oilseeds	6,530	5,885	+ 645	+11.0
Cotton †	5,394	3,678	+1,716	+46.7
Jute **	4,030	4,605	— 575	—12.5

* Production data in respect of rice in Orissa and maize in Bihar are based on the results of crop cutting surveys for the first time.

† In thousand bales of 392 lbs each

** In thousand bales of 400 lbs each

Source: Directorate of Economics and Statistics, Ministry of Food and Agriculture, Government of India.

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53=100)

	Week Ended	12-8-61	5-8-61	15-7-61	13-8-60
Food Articles		124.0	124.1	125.0	124.5
Cereals		105.1	104.9	104.4	109.4
Pulses		91.3	91.7	91.3	93.9
Sugar & Gur		126.2	123.1	123.6	139.0
Others		182.0	183.5	186.5	170.2
Liquor & Tobacco		100.1	100.1	98.2	108.7
Fuel, Power Light & Lubricants		121.5	121.5	121.6	119.6
Industrial Raw Materials		146.1	150.5	153.4	137.0
Fibres		144.1	152.4	158.3	133.6
Oilseeds		160.2	162.9	164.7	147.3
Manufactures		126.1	127.5	127.5	122.3
Intermediate Products		140.5	141.8	142.5	130.8
Finished Products		123.7	125.2	125.0	120.8
Textiles		124.8	127.2	127.2	123.0
Cotton		126.6	126.6	126.3	130.6
Jute		123.5	133.3	133.4	114.1
Metal Products		147.1	147.1	147.1	146.8
Chemicals		112.0	111.9	110.7	103.7
Machinery & Transport Equipment		112.8	112.8	112.7	111.5
Others		120.9	120.9	120.8	116.0
All Commodities		127.5	128.6	129.5	125.3

5 SEP 1961

GENERAL INSURANCE • ELECTRICITY • COTTON TEXTILES • MANGANESE • COAL • CEMENT • PORTLAND AND WHITE • SHIPPING • LIGHT ENGINEERING • IMPORT AND SERVICE OF HEAVY MACHINERY AND AIRCRAFT

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Printed by A Fernandes at New Jack Printing Works Private Ltd., Globe Mills Passage, off Delisle Road, Bombay 13, and published by him for Asian New Age Publishers Private Limited from 65, Apollo Street, Fort, Bombay 1. Editor: SACHIN CHAUDHURI

The Economic Weekly

Journal of Current Economic and Political Affairs

THIRTEENTH YEAR OF PUBLICATION

September 9, 1961

Volume XIII No 36

Price 50 Naye Paise

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THE ECONOMIC WEEKLY
65, Apollo Street, Fort,
Bombay.

Telephone : 253406

Foreign 40 s or \$ 6

Annual Subscription : Rs 24

Testing Time for Mr K

MR KHRUSHCHEV'S motives for taking his sudden decision to resume nuclear tests—and within 48 hours to implement the decision—are somewhat mystifying. None of the reasons he has publicly given for his action carries the slightest conviction; and on the face of it, it was extremely foolish of the Russians to break the nuclear test truce with word and deed just when the neutrals were preparing to begin their 'summit' talks in Belgrade. Moreover, in Geneva the Western delegates had just suggested ways and means of meeting Soviet objections on the issue of inspection and supervision. Why, then, in the face of all these factors, did Russia decide to go out of its way to earn the odium of the world by being the first to break the truce?

The question, as we say, is intriguing. Mr Khrushchev has blamed the whole trend of current NATO policy for his decision to resume tests; but the charge is curiously lacking in any specific instance. Again, he has alleged that the United States was at the very threshold of carrying out an underground test. If that was really so, it would have cost Moscow nothing (and saved it an immense lot of unfavourable world reaction) if it had allowed the American test to go ahead, exposed it and then followed it up with a similar test of its own. Indeed, Western prestige, at least in non-aligned eyes, would have suffered a grave setback in such an event, enabling Mr Khrushchev to kill two birds with one stone. All this is so obvious that one must rule out the possibility of its not having occurred to astute minds in the Kremlin. From this, two probabilities follow: (a) that for some unknown reason Russia had to test a weapon at once, and there was no time to wait for the portended American test to take place first, or (b) that the allegation about America's intention to test a bomb was false.

Since the Soviet test last week, London and Washington have sent out a joint call to the Russians to agree to another unconditional test truce which would also be binding on them. The call is not hedged in by any suggestion of 'additional controls'; but, most significantly, it does restrict the truce to 'nuclear tests in the atmosphere'. This would seem strongly to support Mr Khrushchev's allegation of an impending 'underground' test by the Americans, which means, in its own turn, that possibility (a) mentioned above is nearer the truth. There must have been a compelling reason why Russia had to test at once a weapon that is presumably newer and more devastating than anything known to nuclear scientists so far. If that guess is correct, and the need for an urgent nuclear test has passed, then it is safe to predict that the Russians will react favourably to the call for a fresh truce by the West.

But meanwhile, the Soviet Union has suffered a serious loss of prestige among the non-aligned powers. The excuses, with which the new device was tested, were too lame to convince anybody. Nuclear testing by France was, for instance, advanced as a reason justifying the Russian action. But deplorable though the French tests are, Mr Khrushchev can hardly be serious in suggesting that they posed any sort of threat to the Soviet Union. Similarly, the Russian action was accompanied by an assurance to the world that on no account would Moscow strike the first

blow in a new war. But that, again, was not the issue. The case against nuclear testing rests on the hazard it creates for the entire human race by dangerously polluting the atmosphere. Conscious of this, Mr Khrushchev said last week that Soviet scientists were fully aware of these hazards and would take every possible precaution to minimise them. The question, however, is that total precaution is simply not possible. Moreover, seeing the argument from the political angle, if suitable precautions can excuse testing by the Russians, why should they not do the same for the French?

No, the Soviets are too clearly on the wrong wicket in this case; and their action has dealt a body blow to disarmament hopes in the foreseeable future. It has also provided fresh provocation for the worsening

of international relations. Whatever precautions Mr Khrushchev's admittedly able scientists may take to protect the earth's atmosphere from the evil effects of atomic fallout, the political atmosphere has already been polluted beyond easy repair.

The point immediately relevant now is whether the West, given the green flag by Moscow, will begin its own testing of nuclear weapons. The American intention of carrying out underground tests is clearly implicit in the fact that the invitation, given to Russia to join in a new test truce is limited to tests in the atmosphere only. But the same invitation encourages the hope that overground testing is not part of the Western programme, at least for the time being. This is a good thing; and Mr Kennedy would be a fool

to change this decision and so upset the balance of propaganda which is now scaled down in his own favour. Indeed the more tests Mr Khrushchev holds, the greater will be the cold war dividends to be drawn by the West's continued policy of abstention. Mr Khrushchev is a shrewd politician, and rather unaccustomed, besides, to seeing his calculations go wrong. In this instance he has slipped badly, and must be acutely conscious of his failure. Unless there is some sinister Communist design of plunging the world into a new and deadly war, it must be presumed that his concern now would be to retract from his currently unhappy position. Only a grand gesture in favour of disarmament could retrieve his prestige; and, being just the man for grand gestures, this is precisely what he can be expected to do next.

The U K and Asian Textile Exports

IN a bid for some much-needed breathing space to enable it to solve its problems, Lancashire has been pressing for the continuation of the 'voluntary' quota restrictions imposed under the agreements between the U K on the one hand and Hong Kong, India and Pakistan on the other. These efforts having failed, negotiations have been in progress between Lancashire interests and representatives of the Hong Kong textile industry for an extension of the pact for a further period of eleven months so that its termination at least coincides with the expiry of the pacts with India and Pakistan. Lancashire succeeded in these negotiations last week. In return, the United Kingdom had to make some concessions in the shape of an increase in the import quotas for the current year as well as for the next year. This year's quota has been increased by 10 million square yards to 174 million yards and next year's by a further eleven million square yards, coupled with the promise that further supplementary quotas may be sanctioned next year if the state of trade permits this.

It was obvious that similar increases in the quotas of India and Pakistan would have to be granted to keep the balance even between the three important suppliers of cotton textiles to the U K.

On Monday last these expected increases were announced: 11 million square yards for India and 2.5 million square yards for Pakistan in 1961. The supplementary quotas for 1962 have not yet been announced; presumably the U K is not willing to concede the demands of the exporting countries for higher quotas for next year.

One of the changes which have been made in connection with the quota system is the transfer of responsibility for licensing export under the agreement from the U K to the exporting countries themselves. This is certainly welcome; it was undoubtedly a mistake from the very beginning to have allowed the licensing to be done in the U K. Basically, however, the change is purely procedural in character and too much importance need not, therefore, be attached to it.

The extension of the agreement with Hong Kong to the end of December 1962, when it will expire along with the agreements with India and Pakistan, only postpones the moment when the entire question of restrictions on the textile exports of these countries will have to be reconsidered. Reports from Lancashire do not give any hope about the completion of the British textile industry's programme of re-

construction and rationalisation by the end of 1962. On the contrary, the fear of a flood of imports from Asia on the expiry of the present agreements is being put forward as the explanation for the Lancashire industry's failure to proceed vigorously with the reorganisation programme. Not only is capital not willing to enter into an industry so obviously incapable of survival without protective measures, even labour is drifting out of the mills, attracted by the better prospects elsewhere.

In view of the acute shortage of labour in the U K, there is really no justification for trying to resurrect the textile industry at this stage in British history. Any effort to build up the industry behind a protective wall will not only do damage to the interests of the developing nations to whom the U K is giving such generous assistance, but will not really be in the interests of Britain itself in the long run. Old beliefs, however, die hard. The opposition to the import of cheap goods from abroad has always been strong, though in the type of full employment economy which Britain now has, the free trade argument is particularly valid. Despite the repeated appeals by the Economic Commission for Europe to the countries of western

Europe to permit a steady increase in their imports of products like textiles from the developing countries, the British Government, like the Governments of other European nations, has found it impossible to resist the pressure put on it by the decaying domestic textile industry.

From the standpoint of Indian textile exports, it is not the general attitude that prevails in this regard but the concrete expression that is given to it in specific import policies that is important. In this connection, the terms and conditions on which Britain enters the European Common Market assume special importance. Shri Neville Wadia was, therefore, right in drawing attention to the serious effect that Britain's entry into the Common Market might have on India's textile exports to the U K. It is well known that Britain accounts for a substantial proportion of India's textile exports and any significant fall in Indian exports to the U K would be a very serious matter. Everything depends upon the terms and conditions on which Britain's entry into the Common Market is effected. These are a matter for negotiation between Britain and the present members of the Common Market. What importance is to be attached to the assurance that Mr Macmillan has given that the interests of the Commonwealth countries will be adequately safeguarded, it is difficult to say. It is clear, however, that the particular problem of the 'voluntary' import quotas for Indian textile exports to the United Kingdom merges into the wider question of the extent of freedom that the developed countries will permit to the developing countries with regard to their exports of those goods in which they have a relative advantage. Tackled on that plane, it may be possible not only to get adequate safeguards for Indian textile exports to the U K, when Britain joins the European Common Market, but also to bring about a more liberal attitude on the part of the present members of the Common Market to the general question of imports from the developing countries as a whole.

A Sterile Aberration

THE ten-year rule, lending itself, as it did, to a variety of convenient interpretations, has met with its greatest setback in the very State where it was sought to be pursued with the utmost vigour. The final selection of candidates by the Gujarat Election Committee, barring a few insignificant instances, has had little to do with the much-discussed rule. Whether the zeal with which the rule was tried to be applied earlier was due to partisan feelings or to higher considerations, it has done no more than to create unnecessary misunderstanding and suspicion all round and weaken one of the few Congress legislature parties in the country which could claim to be united and stable. The party in Gujarat cannot be the same as it was before, for dissensions once provoked cannot be easily abated, and it would be difficult to satisfy the ambitions that might have been roused by the prospect of some senior men retiring from the legislative field. Those enjoying the higher positions of power and authority are back in the picture after a brief period of uncertainty, and the show will go on in the accustomed manner though perhaps without that assurance of harmony and strength which had marked the State Government so far.

The blame for this must go to the rule if it can be called a rule at all. What was just a piece of loud thinking on the part of the Congress President, a casual suggestion, came to be invested, for some reason or other, with an importance that was fairly staggering at one stage. The idea behind it was quite commendable. It was to replace members, who had been in office too long, by new men, to give a chance to 'new blood' as the terminology goes. But obviously that was not to be done at the cost of administrative talent and experience, which are none too plentiful in the country. All the same, the suggestion as it was sought to be given effect to, seemed to be directed whether by design or accident against the efficiency and stability the Congress regime of the new State of Gujarat had been able to

achieve through the abler and more seasoned men in the party. Not that the intention of anyone could have been to weaken the party as such or the administration of the future; but any hasty action on the line proposed would have had more or less the same effect if only because of the heart-burning and bitterness it would have left in its wake. All is well that ends well, they say; but the question is whether the controversy in Gujarat has ended so well at all.

This episode has a lesson if Congress leaders are inclined to take lessons at all. The habit of woolly thinking and loose talking could advantageously be given up particularly when such vague declarations of pious intentions are liable to be seized upon by others as major policy pronouncements to the embarrassment of many.

Apart from the mischief that such declarations can work, there is the ticklish task of wriggling out of a position taken up or seemingly taken up earlier, with all that it means in terms of needless confusion and misunderstanding and also of reflection on the working of the Congress Party. If the so-called ten-year rule was trotted out to test trends of opinion in the rank and file of the organisation or to create any impression on the public mind it has hardly had any useful effect either way.

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Weekly Notes

Deposit Insurance

ONE line of attack on the problem of bank failures which has been under consideration for some time is the introduction of a scheme of deposit insurance, which would protect depositors against the consequences of the failure of a bank. Such protection is no substitute for measures to prevent bank failures, but nevertheless it is necessary because there can never be any absolute guarantee against bank failures, which may be brought about by errors of judgement no less than dishonesty. No amount of supervision by the Reserve Bank can ensure the stability of a bank, given the character of the banking business. Loss of confidence by depositors, whether justified or not, can have disastrous consequences, unless there is some assurance that whatever happens the interests of the depositor will be protected. Once a deposit insurance scheme is in operation, there will be no rush to withdraw deposits at the slightest rumour of difficulties facing a particular bank. That is the justification for the introduction of the deposit insurance scheme in this country.

The Bill to set up a Deposit Insurance Corporation has now been taken up for consideration by the Lok Sabha. This provides for the setting up of the Deposit Insurance Corporation as a wholly-owned subsidiary of the Reserve Bank of India with the Governor of the Reserve Bank as the Chairman. The Corporation will insure the deposits of all the banks in the country including the State Bank and its subsidiaries. All deposits upto a maximum of Rs 1,500 per depositor will be insured for the present. The Union Deputy Finance Minister, Shri B R Bhagat, revealed that 75 per cent of the 6 million deposit accounts would be covered by the scheme, presumably in full, and that the value of the deposits covered would be about 20 per cent of the total deposits in the country. The Bill provides for the raising of the amount insured per depositor above the present figure of Rs 1,500 by a decision of the Corporation in consultation with the Government of India.

New Strength for Banks

AS the Indian scheme is modelled on the scheme of deposit insurance that prevails in the United States, it is interesting to note the U S experience in this respect. The original amount insured in the United States per depositor was \$1,000. This was raised in stages to \$10,000, which is the present amount insured. The U S experience of the working of the deposit insurance scheme was very favourable. It remains to be seen whether the U S experience is repeated in this country. If the actual experience of the working of the scheme is favourable, we may expect to see the figure of deposits insured per depositor increase steadily over a period of time.

The Bill does not specify the rate of premium to be charged by the Corporation, but leaves this to be fixed by the Corporation subject to a maximum of 15 nP per Rs 100. Shri Bhagat revealed, however, that it is the Government's intention that in the first instance the premium should be fixed at 5 nP per Rs 100, which could then be adjusted from time to time in the light of the experience of the Corporation's working. Unless this experience is particularly unfavourable, this rate is unlikely to be raised. At the same time, if the experience is favourable, the Corporation is likely to try and increase the amount of deposits per depositor which is covered. If the premium is initially fixed at 5 nP, therefore, it is unlikely to be changed for many years.

The Bill was generally welcomed in the Lok Sabha, as it deserved to be. Shri Bhagat pointed out that 96 per cent of the deposits of commercial banks in India were with institutions which inspired confidence. It was the other 4 per cent which really needed the insurance. It would be misleading, however, to imagine that the institutions that were sound were thus being made to pay for cover for the unsound ones. The value of the scheme lies in the fact that by maintaining the confidence of the public in the banking system it assists the sound banks as much as the unsound ones. A wave of fear emanating from the failure of one or two unsound

banks could cause tremendous damage also to those banks which would otherwise be considered sound. The Deposit Insurance Corporation Bill is, therefore, to be welcomed as a measure strengthening the banking system as a whole.

Second Telephone Factory

THE announcement by the Union Minister for Transport and Communications that the Government has decided to set up a second telephone factory must have surprised those who have slipped through the pages of the Third Plan. Neither in the section on 'Posts and Telegraphs' nor in the list of industrial projects to be undertaken by the Central Government is there any mention of a new telephone factory. The additional demand for telephone instruments is intended to be met by the expansion of the Indian Telephone Industries, Bangalore, for which there is an allocation of Rs 2.8 crores. The total cost of the programmes of the Posts and Telegraphs Department in the Third Plan, including that of the proposed teleprinter factory, is estimated at Rs 79 crores, of which Rs 41 crores are accounted for by expansion of telephone services. The Plan provides for about 2 lakh new direct connections and for the conversion of 50,000 manual lines into automatic lines. Automatic exchanges are to be installed in some 45 towns while existing exchanges are to be expanded in another 32. The programme of trunk telephones, which is expected to cost Rs 6 crores, provides for the installation of 10 automatic trunk exchanges and a number of additional manual trunk exchanges and about 2,000 public call offices. Clearly, therefore, if a second telephone factory is to be established now, the allocation for 'Posts and Telegraphs' will have to be increased. Here it must be pointed out that the cost of even the programmes now included in the Plan is Rs 79 crores, as against the actual financial allocation of only Rs 68 crores.

To say this is not, of course, to sit in judgment over the proposed telephone factory. In fact, looking to the likely increase in demand for

telephone services, it is possible to argue for a considerably bigger programme than has been included in the Plan. According to estimates made by the Department of Posts and Telegraphs the unsatisfied demand for telephone connections at the end of the Second Plan was of the order of 2 lakh connections. Taking into account the estimated additional demand for 5 lakh connections during the Third Plan, the Department had estimated that the Plan would have to provide 7 lakh new telephones in all. With a programme of this magnitude in mind, the Department had asked for an allocation of Rs 175 crores in the Plan. Set against this, the actual allotment of Rs 68 crores is ridiculously small, as is the target of 2 lakh new telephone connections which, unless the Posts and Telegraphs Department's estimates are totally wrong, would no more than satisfy the backlog of demand at the beginning of the Plan and will leave the demand for some 5 lakh new telephones unsatisfied at the end of the Plan. It is difficult to believe that the target for telephones was ever taken seriously by the Government. Soon such instances are bound to multiply and the by-now-familiar spectacle of some programmes bulging at the seams and others, not strictly on merit, being axed will begin to unfold. And then, to add insult to injury, some Minister will come along and call the whole thing "flexible planning".

Response to State Loans

WITH the total subscriptions for the thirteen State loans amounting to Rs 91.12 crores against the issued amount of Rs 80 crores, the borrowing programme of the States for 1961-62 can be said to have been remarkably successful. The response to the different State loans has, however, been varied and though each of the States reserves the right to retain upto ten per cent of excess subscriptions received, the total retention will probably amount to Rs 84.96 crores and not Rs 88 crores. This is because while the loans of some States have been overwhelmingly oversubscribed, those of others have not been favoured by any significant oversubscription. The subscription to the Orissa loan amounted to Rs 7.26 crores against Rs 5 crores issued, to the Uttar Pradesh loan to Rs 9.18 crores against Rs 6 crores issued and to the

Andhra Pradesh loan to Rs 12.13 crores against Rs 10 crores issued. Yet Orissa will be able to retain only Rs 5.50 crores, Uttar Pradesh only Rs 6.60 crores and Andhra Pradesh only Rs 11.00 crores. In contrast, Gujarat, Kerala and Madhya Pradesh have each received only Rs 4 lakhs more than the issued amounts against Rs 60 lakhs, Rs 40 lakhs and Rs 50 lakhs respectively that they would have been able to retain if the response to these loans had been better.

Five of the States had loans maturing for repayment during the current year and had offered conversion facilities for these loans. A feature of the final results to which attention needs to be drawn is the relatively poor response to the conversion offer in spite of the overwhelming cash response to the new issues. Of Rs 12.96 crores maturing during the year, holders of only Rs 4.95 crores worth of securities availed themselves of the conversion offer. Encashment of maturing securities during the year will thus amount to a little over Rs 8 crores. If the maximum amount of excess subscription that can be retained by the States is in fact retained by each State, the total retention will amount to Rs 84.96 crores as stated above and the net borrowing during the year will amount to Rs 72 crores. The States have thus made a good beginning in the direction of achieving their Third Plan target of Rs 325 crores of net borrowing, which works out at Rs 65 crores per annum on average.

The success of the State loans was no doubt assured by the somewhat more favourable terms on which they were issued. Conditions in the money market have been remarkably easy in contrast to the extreme pressure on funds that was felt during the preceding busy season. Though it is widely felt that the money market will be even tighter during the next busy season than it was during the last, conditions for the present are such that the banks have to seek out avenues for the investment of their funds. In spite of these facts banks do not appear to have responded very significantly to the second Central loan that was issued during the year. Exclusive of the State Banks, the investments of the commercial banks actually went down during the relevant week showing that encashment of

maturing securities was greater than subscription to new securities on the part of these banks. Presumably, they anticipated the more favourable terms of the State loans. It is not unlikely, therefore, that their response to the State loans was quite large. The withdrawal of deposits by other subscribers to the State loans has also added to the difficulties of the banks, which are reflected in a rise in the inter-bank call money rate to 4 per cent on Thursday. This situation may not last; on the other hand, it may well signal the beginning of the pressures associated with the commencement of the next busy season.

Jute Polemics

SIR John Brown, in his statement at the 136th Annual General Meeting of the Howrah Mills Company Ltd (see p 1441), sheds much light on the problems of the jute industry which recently has been the centre of controversy. In view of the criticism which has been levelled against the jute mills and the Indian Jute Mills Association over the restriction of production by the mills in the last few months, it is natural that Sir John should concentrate on presenting the mills' case. The last two years have been far from normal for the jute industry, mainly because of two successive short crops. That the supply of jute, including imports from Pakistan, has been inadequate to meet the demand is reflected in the sharp rise in the price of raw jute. The index of wholesale price of jute rose from 118 in June 1959 to 187 in June 1960 and reached a peak of 280 in February this year. After February it declined somewhat but continued to be substantially higher than the level two years ago.

The short supply of raw jute led to serious depletion of the stocks held by the jute mills and, as Sir John points out, mills' stocks were generally reduced to the equivalent of barely four weeks' consumption by the end of June. To meet the shortage the I J M A proposed block closure of all jute mills for a week each in June and July. Both the Central Government and the Government of West Bengal recognised the gravity of the situation facing the mills and permitted the block closures. By the end of July, however, the new crop started to reach the Calcutta market. It was in the con-

text of the improving supply position in the Calcutta market that the State Government rejected the IJMA's proposals for another block closure of mills in August. The Central Government concurred with the State Government's view that, as the new crop had started arriving in the market, a fresh closure of mills was not warranted. The IJMA however, maintained that raw jute was still in short supply and advised member-mills to effect production cuts notwithstanding the Government's decision. Little is known of the state of the mills' stocks in August. From the sharp fall in the price of raw jute towards the middle of the month, it is reasonable to conclude that the new crop had begun to arrive in the market in sufficient quantities to make an impact on the price.

Soon after, encouraged by the fall in prices, the IJMA agreed to counsel the mills to unseal the looms sealed in August and increase their purchases of raw jute. With the abating of the unsavoury controversy over the block closures and sealing of looms, attention has now come to be concentrated on the fundamental problem of raw jute prices. Stable prices are as important to the mills as they are to the grower. The latter must, of course, be assured a minimum price, which must be remunerative enough to encourage him to maintain and increase production. It is difficult to avoid the conclusion that the grower did not significantly benefit from the rise in raw jute prices in the last two years. If he did, how can one account for the fact that in spite of the soaring prices the area under jute in the country declined by almost 10 per cent between 1959-60 and 1960-61? It is not, therefore, enough to fix a notional minimum price; the Government must ensure that the grower does in fact receive the price so fixed.

Few will disagree with Sir John when he says that the question of a minimum price for raw jute has also to be considered in relation to the export prices of jute goods. In fact, one approach that has been suggested is to work back the price of raw jute from the export prices of manufactures. This is not, however, as simple as it seems at first sight as export prices themselves

vary widely. It bears testimony to the intractability of the problem that the tripartite conference of representatives of the Central Government, the Government of West Bengal and the IJMA in Calcutta last week could not arrive at a floor price for jute. But as a decision has now been taken to establish a buffer stock of jute and to set up an independent agency to operate it with a view to preventing excessive fluctuations in prices, it will not be possible for long to avoid taking a decision about a minimum price or at least a range of reasonable prices.

Banking Statistics

THE 'Statistical Tables Relating to Banks in India' published annually by the Reserve Bank of India provides an important source of information on banking developments in the country, supplementing the data contained in the annual 'Trend and Progress of Banking in India' and 'Report on Currency and Finance' both published by the Reserve Bank. Like the 'Trend and Progress', the 'Statistical Tables' covers the calendar year. The special utility of the 'Statistical Tables' lies, however, in the detailed information it provides about the banking sector, classified according to the different types of banks. It groups the most important information about banking into that relating to the State Bank, the Major Indian Scheduled Banks (eight in number), the Foreign Scheduled Banks, Other Indian Scheduled Banks and Non-Scheduled Banks. It further subdivides the information about the latter to provide data about the various classes of non-scheduled banks. The detailed tables in the report provide data on each of the individual banks in the country.

The 'Statistical Tables' provides balance sheet as well as income and expenditure account data for the first time for all the banks in the country. It also provides information about State and Central Co-operative Banks, about Post Office Savings Banks and about the foreign business of Indian banks; this information is not available elsewhere. All in all, the 'Statistical Tables' is a valuable document, providing a wealth of data about the banking system. There is no doubt that there is more detailed and accurate data

available about the banking system than about any other sector of the economy.

The 'Statistical Tables' for 1960 shows that bank profits increased sharply during the year. The profits of Indian scheduled banks increased by Rs 3.8 crores to Rs 17.44 crores in 1960. The profits of foreign scheduled banks also increased by Rs 1.15 crores to Rs 3.79 crores, while those of non-scheduled banks with capital funds of more than Rs 5 lakhs increased from Rs 17 lakhs to Rs 20 lakhs. These figures of profits refer of course to the published profits. It appears more than likely that the banks took advantage of the favourable conditions existing during the year to strengthen their inner reserves or reduce internal deficits built up during earlier years. At the same time, the banks also added significantly to their published reserves, figures of which are given in the report separately for the different classes of banks. For all Indian scheduled banks, the provision for reserves rose from Rs 1.48 crores in 1959 to Rs 2.67 crores in 1960. It is apparent, therefore, that in spite of the difficulties which the banking system faced during 1960 in many other respects, it emerged stronger at the end of the year than it was at the beginning.

Brno Fair

THOUGH initiated only two years ago, the annual International Trade Fair at Brno, Czechoslovakia, has become an accepted rendezvous of businessmen and industrialists from practically all countries. Brno is the second biggest town in Czechoslovakia and the capital of the South Moravian region. It is the nerve centre of Czechoslovakia's heavy engineering industry. This year's Fair, to be held from September 10 to 24, has attracted over 500 exhibitors from 35 countries. A wide range of exhibits will be on view embracing almost all branches of modern industry. Last year the Fair drew some 25,000 foreign visitors from 68 countries and the year before that

about 15,000 visitors from 43 countries. More visitors from more countries than ever before are expected to make the trip to Brno this year.

Though the primary aim of the organisers of the Brno Fair is to demonstrate to the world the rapid growth and high standard of Czechoslovak industry, with so many exhibitors and visitors drawn from so many countries, the Fair cannot but make a substantial contribution to promoting trade and commercial understanding among countries.



Blended with eau de cologne and wrapped in gold foil

Awareness, But No Policy

September 1

THE gravity of the Berlin situation has in no way been diminished by the Prime Minister's attempts to live up to his reputation for unflappability by playing golf—(the neo-Elizabethan equivalent of howls?)—and asserting that the affair had been magnified by the Press. The Stock Exchange which acts as a very sensitive barometer of political tensions has been seriously affected by the crisis and there has been a gradual and constant rise in the price of gold over the past ten weeks. Even the most ardent supporters of the Western policy on Berlin are forced to admit that this has not been particularly inspiring. As for the crisis itself it is generally agreed that the only way to overcome it is for round table discussions with the Soviet Union and Eastern Germany, and it now appears likely that these will take place in the not very distant future, despite the reluctance of General de Gaulle.

Tensions of another kind are being discussed in Oxford this week. The conference on 'Tensions in Development', sponsored by the Council on World Tensions, opened on Monday with an impressive list of delegates from all over the world. It is yet another symptom of the growing importance that international aid and the development of under-developed countries are assuming in Western eyes. Although at present conceived of by the West chiefly as a counter to Soviet attempts to win over the under-developed and uncommitted countries, the provision of financial aid is certainly invaluable to countries which are trying to develop their economies. The Americans made a dramatic offer to Latin America at the recent Punta del Este Conference, and the latest figures released by West Germany indicate that aid to under-developed countries from this source for this year will amount to DM 4,300 m — it must be pointed out, though, that this is somewhat less than the DM 5,000 m announced earlier by Bonn. The need for foreign aid to India was emphasised by Shri K V R Iengar, Governor of the Reserve Bank of India, when he spoke at a luncheon organised by the Indian Chambers of Commerce

here. He said that India would need foreign aid for at least ten years. The question of European aid to under-developed countries will be the focus of attention once again when Britain's aid plans for Commonwealth countries will be scrutinised at the Commonwealth Finance Ministers' meeting in Accra. This subject will also be discussed at the I M F and World Bank meeting later this month.

No Longer Anathema

In the last few weeks, the United Kingdom has been presented with the ironic spectacle of a Conservative Chancellor and the stronghold of private industry, the F B I, urgently supporting the idea of national planning. The T U C, on the other hand, suspecting this to be a ruse for a more authoritarian wage freeze, has been less enthusiastic about Mr Selwyn Lloyd's projected National Economic Council. The recurrent crisis in the U K economy and the sluggish rate of growth, has at last convinced everyone that Conservative freedom no longer works. But the type of planning suggested by Mr Selwyn Lloyd is an excessively diluted version of what most economists would describe as planning. What seems to have impressed British private industrialists with the virtue of planning—apart from the very obvious advances that the Soviet Union has made under such a system—is the tremendous growth of the French economy where a kind of economic planning has been adopted. France has had three successive Four Year Plans since the War, and during this time has achieved a rate of growth at least double that of U K's. At a recent Conference held in Britain to study French ideas on planning, the conclusion was reached that the French joint planning procedure had contributed greatly to France's rapid economic development. What, however, is really significant in this situation is the fact that the trade union movement is weak and divided in France and the Government is authoritarian and relatively immune from the pressures of public opinion. This made it possible for the Government to pay for expansion by devaluing the franc without, at the same time,

having to concede the wage increases to offset rising living costs. In the sector of wages and prices, France certainly has operated controls and perhaps the Conservative Government wishes it could do the same! French planning is controlled by an organisation known as the Commissariat General au Plan, which has a small staff and whose extra-departmental position allows it to play a role of conciliator between departments and use commissions as a means of ensuring co-operation between the administration, industry and trade unions. The main agent in achieving such co-operation is the Modernisation Commission. The Commissariat General au Plan, which comes under the Minister of Finance, but is not incorporated into his department, is now engaged in drawing up France's Fourth Four Year Plan. There can be no doubt at all about the rapid progress that the French economy, and particularly the franc, has made in recent years. The franc, once regarded as Europe's sickest currency, is now emerging as one of the world's strongest, and there is now a distinct possibility that France, in common with Germany, may develop a chronically favourable balance of payments position. It is no wonder that Britain, with her intractable balance of payments, should be so attracted by French methods of planning. What remains to be seen is whether these can be transplanted to Britain and whether the body created by Selwyn Lloyd will have any real authority to direct private industry.

But there is no prospect of such a body commanding authority unless a programme can be devised which will convince the people that it will take Britain out of her present economic difficulties. The recent crisis, one might say, was a crisis of opening eyes, where many people in positions of responsibility have at last seen the dangers which had been evident for some time from the more competent economic analyses. But the new awareness has not yet been translated into a policy that would give the economy a new momentum, sufficient to take it away from these dangers and difficulties.

Bigger Oil Programme Likely

THE despatch of the first consignment of crude oil from Ankleshwar to the Burmah-Shell Refinery last week was undoubtedly an event of some considerable significance. One of the most significant successes of planning in India has been in the field of oil exploration. Besides Ankleshwar, where production has already begun, the commercial possibilities of the Cambay fields have been established and the recent successful drilling in Rudrasagar has indicated the existence of one more field in Assam, viz, Sibsagar. These successes have made the prospects of attaining near self-sufficiency in oil by the Fourth Five-Year Plan brighter. The Oil and Natural Gas Commission has recently revised the Third Plan target of oil production from the original 2.5 million tons to 5 million tons.

The controversy in official circles over whether the requirement of oil by the end of the Third Plan will be 13 or 14 million tons appears to have been settled in favour of the latter figure. In view of the rapid industrialisation envisaged in this period, it is wise to put the demand of such an important item as oil slightly on the high side. Projections of demand in the future indicate that by 1970-71 demand will go up to 18-20 million tons and by 1975 it may be between a minimum of 24.1 million tons and a maximum of 38 million tons. Against such rapid rise in demand, what a difficult task it will be to achieve self sufficiency should be clear from the fact that the average cost of discovering, producing, refining, transporting, distributing and marketing a ton of oil comes to about Rs 600.

Phenomenal Success

The upward revision of the target for oil production was first suggested by the Soviet experts engaged in oil exploration. The earlier 2.5 million ton programme was first formulated by the O N G C in September 1959. At that time the oil production potential had not been so clearly established, as only initial results of exploration in the Cambay region were known. However, the picture has changed

completely in the last two years. Drilling in the Ankleshwar field has so far produced 14 oil-producing wells as against only two dry ones. Of the total of 103 wells drilled so far by the O N G C, 73 have been oil-producing, 8 gas-producing, 12 dry and the nature of 10 is yet unknown. Seen against the background of experience elsewhere in the world — on an average, it is estimated, only one well in 40 meets with success — the O N G C's success has been phenomenal. Another fact which has given confidence to the O N G C to increase the oil target is that, whereas earlier it was estimated that on an average each well in the Ankleshwar field will yield about 15 to 20 tons of crude oil per day, it is now considered possible to increase production to 50 to 60 tons per well per day.

The fulfilment of the new target of oil production would entail 1,000,000 metres of exploratory drilling, 500,000 metres of productive drilling and digging of 200 exploratory and 500 productive wells. The programme would require 50 drilling rigs as against 21 now in use, an army of 5,000 skilled labourers, engineers and technicians and 500 highly-qualified experts organised into some 25 geological parties, 18 gravity-magnetic parties and 30 seismic parties. The strategy of the O N G C during the Third Plan will be to concentrate its efforts in Gujarat, Assam and the Cauvery Basin, while simultaneously carrying on exploration work in the Punjab and the Gangetic Basin. In the Punjab the work will be shifted from the Hoshiarpur-Jawalamukhi belt to the State's platform area and three sites — Zira in Ferozepur, Sultanpur in Kapurthala and the third near Ludhiana — have been selected. The O N G C will also undertake off-shore exploration in the Cambay Gulf where preliminary studies have indicated the possibilities of the existence of rich oil deposits. The Commission is also undeterred by the abortive ten-year search for oil in the West Bengal Basin under the Indo-Stanvac Project for which the Govern-

ment had to bear 25 per cent of the total expenditure of Rs 8 crores. As Shri S P Nautiyal, Superintendent Engineer of the Geological Survey of India, hinted in a recent speech, the Union Government is considering undertaking further exploration in the Bengal Basin.

Higher Outlay

The expanded oil production programme will cost Rs 270 crores, according to tentative estimates. The breakdown of this amount is as follows: Rs 80 crores for exploration of fields; Rs 40 crores for drilling wells and Rs 150 crores for preparing fields for production, increasing capacity of power houses, laying high-voltage transmission lines and arranging water supply, etc. The Third Plan contains a financial provision of only Rs 115 crores for oil exploration. The Planning Commission and the Government, including the Finance Minister, are known to be sympathetic to the O N G C's proposals. The allocation of Rs 21.5 crores for oil exploration in this year's budget is also taken to indicate that during the Third Plan period much more than Rs 115 crores will be actually spent on oil exploration.

With the O N G C's successful record in exploration and armed with offers of financial and technical assistance from the Soviet Union and now the E N I of Italy, Shri Malaviya feels himself in a very strong position and is in no mood to be browbeaten by the foreign oil companies. While the Government welcomes foreign participation in the search for oil, it is willing to collaborate with foreign companies as an equal up to the refining stage. The Government, however, has no intention of giving the foreign collaborator a share in the marketing of the finished products. The Government has also decided not to permit foreign companies to explore in regions where much preliminary work has already been done by the O N G C and where it is confident of finding oil. Such areas include Gujarat, Assam and the Cauvery Basin. Official circles point out that there is nothing very

radical about this policy and cite the example of Venezuela which has no pretensions of striving for a "Socialistic pattern of society". The Venezuelan Government has reserved for exploitation by itself, regions where it is sure of finding oil. Shri Malaviya, however, has made a standing offer to foreign investors to participate in prospecting, exploration, production and refining of oil in any region of the Punjab and U P.

An Insipid Debate

After marathon debates, both Houses of Parliament have formally put their seals of approval on the Third Five-Year Plan. In Lok Sabha alone as many as 45 speakers participated in the debate. But the large number of participants did not make for a lively or informative debate. Members, both from the Congress and the Opposition benches, concentrated on the failings of the last decade of planning. Even the Prime Minister, who at times used such colourful phrases as "the exciting pilgrimage towards socialism through five-year plans," lacked the confidence and boldness which characterised his speeches in the early days of the Second Five-Year Plan. In fact, many felt let down by the rather subdued tone of the Prime Minister's speech. He spent a good amount of his time defending the public sector, quoting the Papal Encyclical to support "socialisation and public endeavour in this country". Was all this for the benefit of the Swatantra Party whom he himself has described as a "small group of people out of tune with the time"? "Why must we be on the defensive like this after ten years of planning?", a bewildered Member asked after the Prime Minister's speech.

"The man in the street and the Plan" was the theme of a majority of the speeches. For the Congress Members, the lead was given by the Prime Minister himself who said that production was not for production's sake; equitable distribution and equal opportunities were equally important. With the general elections so close, speeches from the Opposition benches were scathingly critical of Government's achievements. The growing unemployment, the possibility of a

further rise in prices in the Third Plan, the growing burden of indirect taxation, the widening disparities between different sections of the people, between rural and urban areas and between advanced and backward regions, the faulty and incomplete implementation of the first two Plans, the inefficient functioning of the public sector — such were the themes of most of the speeches.

The manner of implementation of the Plans came in for particularly stringent criticism. A Congress back-bencher perhaps voiced the sentiments of many Members when he said that "there was no complaint against the Plan, complaint is only against the implementation." With his usual cynicism, Acharya Kripalani attacked the inefficient functioning of the public sector, buttressing his argument with statistics: the Tungabhadra project irrigated 1.20 lakh acres last year as against the target of 6.2 lakh acres; Sindri produced 12,500 tons of fertilisers with a capacity of 24,500 tons; only 88 miles of railway lines have been electrified as against the target of 146 miles. Most Members were doubtful about achieving the Third Plan's export targets, particularly in view of Britain's decision to join the European Common Market. The distortion of priorities in the process of Plan execution leading to under-fulfilment of targets in high-priority

sectors and over-fulfilment of targets in relatively low-priority ones was underlined by Shri G D Somani.

A National Plan?

Parliament has now adopted the Third Plan as a national plan. However, judging by the speeches of Members of the Opposition, it remains for all practical purposes the plan of the Congress Party. Opposition parties made no secret of their feeling, that they were not adequately consulted at the time of formulating the Plan. Institutions created to implement the Plan, it was further alleged, were used for enhancing the influence of the ruling party. The suggestion was made by an Opposition Member that the National Development Council should be expanded to include representatives of the opposition parties. This proposal did not, however, find favour with the ruling party.

Can the tone of the debate in Parliament be taken to indicate how the country at large has received the Third Plan? If so, there may be some reason to feel that the Third Plan may not invoke much more popular enthusiasm than its predecessors did. If there is a general agreement on the objectives of the Plan, it is equally generally felt that these objectives will not be fully achieved.

Three Million Spindles To be Licensed

THE Government of India have decided to license three million additional spindles immediately to achieve the targets of production for cotton textiles envisaged in the Third Plan.

Out of this, a portion will be reserved for grant of additional spindles to the existing units on grounds of balancing the spinning capacity with reference to the weaving capacity or increasing the spindleage, so as to make the spinning unit an economic one. The rest will be allocated among the States on a regional basis for the establishment of new spinning mills. In making the regional allocation, the Government of India have taken all relevant facts into consideration such as the population of the States, current production of yarn and cloth in the

States, the existing distribution of spindleage, the concentration of handlooms and the overall needs of the decentralised sector.

Government have also decided that a few model mills should be set up to cater exclusively for the export market. These mills will have a capacity of 25,000 spindles and 500 looms each, and will be equipped with the latest machinery, including automatic looms.

The State Governments have been informed of the additional spindleage allocated to them. Prospective entrepreneurs, desirous of setting up new spinning units, should submit their applications to the Union Ministry of Commerce and Industry through the State Governments concerned.

Book Review

Selling in South Asia

K Krishna Moorthy

A Trade in Transition : Report of the S-E Asia Trade Delegation, 1961, published by the Federation of British Industries; Pp 176, s. 21.

THE British Board of Trade and the Federation of British Industries sponsored a delegation to visit Thailand, Burma, Singapore, Malaya, Philippines, North Borneo, Sarawak and Indonesia early this year. The dispatch of the delegation followed the disconcerting deterioration in British sales to countries like Malaya, Singapore and Burma where Britain had, until recently, been the Number One seller. The essence of the report of the delegation is contained in two brief sentences: "If there were markets calling for the spirit of adventure, they are those of South-East Asia. They are difficult markets but also rewarding."

The recommendations of the British delegation are of interest to Indian export promoters too, particularly in view of India's stagnant exports to South Asian countries. The S-E Asian region, taken as a whole, has a population as large as that of the United States or West Europe. Though the standard of living is low (in some countries it is higher than that in India), the total purchasing power of the region is considerable even today and will, of course, grow apace as the efforts for economic development take effect.

Burma, Thailand, Malaya, Singapore and Indonesia have all formulated plans for development. The import policies of these countries are varied, Indonesia being the country with the severest controls and Singapore being the most liberal. Thailand once encouraged State dominance in industry but her present policies call for greater roles for the indigenous private sector and private foreign investors, both of whom receive special facilities. Burma has also largely abandoned public sector plans for her industry in view of her unhappy experience with administering State projects in industry. Her import policies, however, continue to be restrictive and aid-oriented. According to the delegation, "the commercial staff of embassies and commis-

sioners have a still more important role to fulfil in developing countries such as we visited than in advanced countries." This recommendation is even more relevant to Indian diplomatic and commercial representations in the region.

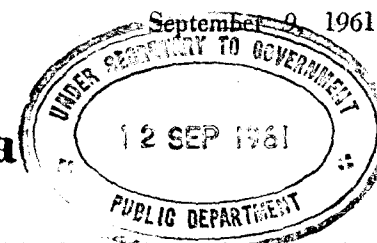
The delegation admits that with memories of colonial exploitation still fresh in this region, the people are apprehensive of new forms of exploitation. This fear is most evident in Indonesia where the West Irian issue is a live reminder of western colonialism. The delegation emphasises the importance of sales representatives constantly touring the region, supervising the work of the local agents and helping them.

Thai Market

Some Thai businessmen told the delegation: "It is all very well to talk about British quality. Let us have the goods and we will see the quality." The Thais are extremely style-conscious and are, for example, willing to buy foreign-made shirts at many times the price of the local product. A quarter of Thai imports consist of textiles, and the Thai market is one area where India does not have to compete with Chinese textiles as there is an embargo on trade in Chinese goods. But India today has a negligible share in the Thai textile market. In most textile goods the British admit that they cannot compete with the Japanese. This is partly their own fault, as they have been rather casual in the matter of promoting textile exports to Thailand. As a result, they are unable to compete even with other European textile exporters. This is partly a question of special designs for the Thai consumer. The Italians, for instance, are known to feed Thai whims in respect of styles even when the orders are relatively small. The Thai market as well as the pan-Malayan market are generally ultra-competitive. The British, for example, are unable to push their radios into the Thai market which is fed by the Japanese whose models are ultra-modern in style.

Japan has replaced Britain as the number one supplier of goods to Burma largely through reparation payments. The Burmese businessman may, however, still prefer to deal with Britain because he is familiar with British trade channels. The intricacies of international commerce have yet to be fully grasped by Burmese traders who are still a relatively small body. The Government purchasing agencies generally prefer to restrict themselves to government to government trade. The biggest such arrangement at present is the deal with China for a Rs 40 crores loan to be received by Burma over six years, beginning October 1961. The loan is interest-free and repayments are to begin only in 1971. Besides, there is the trade agreement between China and Burma and the possible development of trade between the two countries over the land route: the Old Burmah Road linking Rangoon with the southern Chinese province of Yunnan. Neither Britain nor India, Burma's old allies, have thought it fit to offer similar encouragements to Burmese trade. In Burma trade follows aid more or less steadfastly. The Chinese terms of aid and trade are attractive to Rangoon which has paid little heed to West-inspired stories about the poor quality of Chinese equipment or other supplies. What matters most to Burma is the fact that projects built with Chinese assistance will be much less expensive than western-aided or even Soviet-aided ones.

China has already replaced India as the third major supplier of goods to Burma and India's prospects of exports to Burma are bleaker today than ever before. Burmese traders do not generally ask for credit from overseas suppliers. Almost all transactions are met by immediate payments or by confirmed letters of credit. This is partly the result of their experience during the 1955 foreign exchange crisis. Import licences except those for which letters of credit had been opened. The bulk of the trade in



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grey, bleached and dyed textile goods in Burma is monopolised by the Civil Supplies Board. Japan has been a traditional supplier, and China and East Europe are the new entrants.

In the pan-Malayan market the British delegation found "keen disappointment, almost amounting to resentment," with the service given by many British suppliers. Gone

are the days when Malaya and Singapore could be regarded as markets automatically tuned to British sources of supply. The Malayan complaints about British goods concerns' quotations, high prices, long delivery dates, broken delivery promises, wrong delivery sequence, out-of-date design, faulty construction, bad packing and poor after-sales service.

As for trade with Indonesia, the British delegation has this to say: "Opportunities exist (in Indonesia) only for those suppliers who are prepared to study and operate in a complex and changing market. For the first time in centuries practically all trade is now conducted by Indonesians themselves through state organisations or private firms. Long and patient negotiation is needed."

FROM THE TROMBAY PLANT OF UNION CARBIDE INDIA



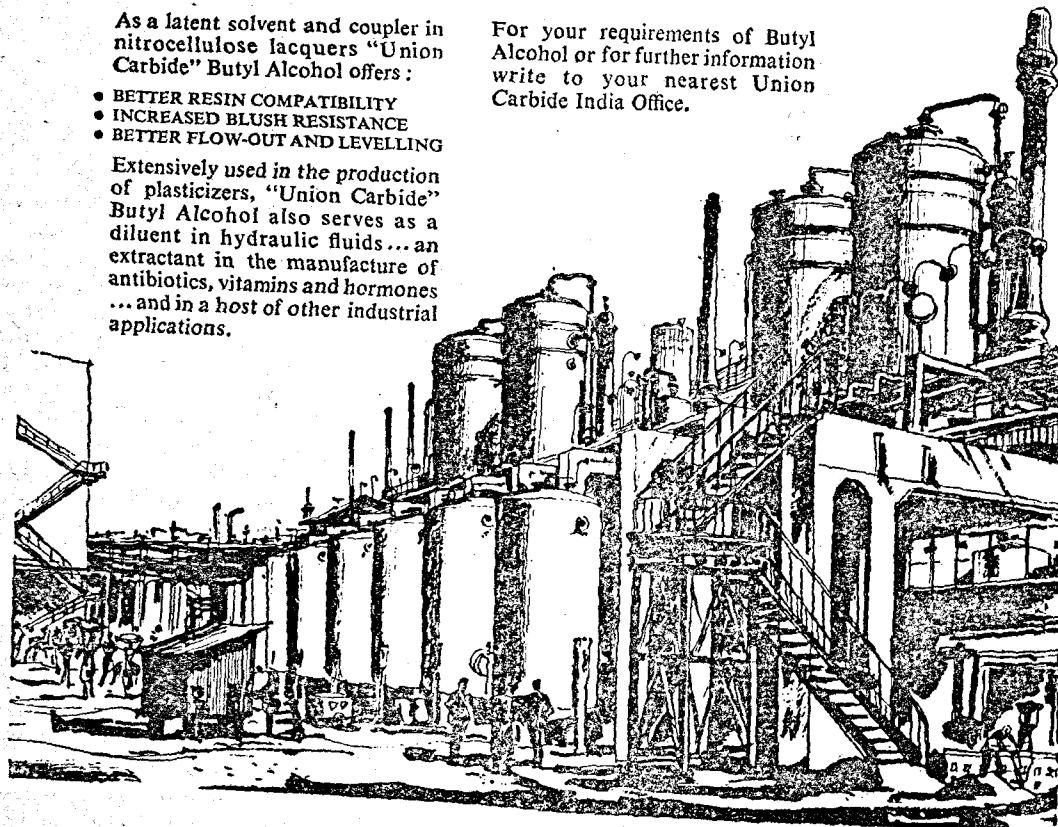
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THE ECONOMIC WEEKLY

September 9, 1961

Some Problems of Economic Development in Africa

Dev Murarka

With political independence won for a large part of the continent, attention is now shifting to economic issues in Africa.

The information that is at present available about the economy of the continent is scanty. The Economic Commission for Africa is making a great effort to fill the gaps in knowledge and to initiate new programmes.

The Commission has a long way to go still, but its third session held in Addis Ababa in March last provided some insight into the working of the African economy.

ALTHOUGH the African economy shares many of the characteristics of underdeveloped economies the world over, it has its own problems which demand specific solutions. The African economy, for one thing, is very closely linked with the West European and American economies. Any adverse movement of prices or sudden changes in terms of trade can plunge parts of Africa in serious crisis.

The mild recession in Europe and America in 1958 illustrates this very well. By 1959, industrial output had gone up by more than one-eighth over the previous year in America; it had increased by 6 per cent in the OEEC countries and, even in Britain, it had risen by 7 per cent. In most of these countries wage increases, however, did not keep pace with the growth of productivity in industry. This played an important role in maintaining price stability. But what contributed most to this stability was a decline in prices of primary commodities imported from Asia and Africa. The decline in prices had set in during the year of recession but when recovery came to Europe, the prices of imported primary commodities did not rise even though the volume of imports of many primary products increased.

Africa benefited little by any increase in exports because while primary commodity prices are highly responsive to industrial contractions in the importing countries, the volume of their imports is not much affected. On an average, the export proceeds of African countries decreased by 4 per cent during 1958. As the value of manufactured goods imported into Africa did not fall to the same extent, their adverse balance of trade

was further aggravated. This was not, however, the end of African troubles. By the time industrial activity in the West recovered from the recession, African production of primary goods had increased. Between 1958 and 1959 the quantum of exports from the primary-commodities-exporting countries as a group expanded by 8 per cent, a record figure as compared with the average annual increase of only 4 per cent over the last decade. The prices of these commodities, however, declined further by three per cent during this period and thus the aggregate value of exports went up by only 5 per cent. Coupled with this is the fact that the industrial countries, taken as a whole, imported more from industrial countries than from primary-producing countries. This, too, has been a persistent post-war trend.

Prices of Primary Commodities

This is partly the result of the growing share of durable goods and services in the total output of industrial countries. This tends to reduce their imports of primary commodities as a proportion of their total imports. But there are also other important factors like increasing economy in the use of raw materials due to improved production techniques, growing use of synthetic substitutes and agrarian and industrial protectionism in Western Europe and America. *The World Economic Survey* for 1959 showed that the share of primary-producing countries in the total imports of industrial countries fell to 36.9 per cent in 1955 from 43 per cent in 1950. In the first half of 1959 this share was estimated to have further declined to a little over 34 per cent. This is not a short-term problem but a long-term trend. For example, in America the value of gross output in 1950

was eight times that of the raw materials used, compared with four times in 1900.

All this points to the urgent need for an enlightened attitude towards prices of primary commodities, without which a great deal of the financial aid now being made available to African countries will be useless. At the same time, however, it must be recognised that the basic problem in Africa is that of growth. In the long run only economic development can make a real difference to the African economy. It is by no means certain, however, that at present such an approach to the economic problems of the continent is shared by all African States with the exception of a few like Guinea and Ghana.

The expansion of economic activity in America between 1958 and 1959 did increase the demand for industrial raw materials, but South-east Asia benefited from this more than Africa did. Economic assistance received represents a greater proportion of Africa's export earnings (18 per cent) than is the case for all underdeveloped countries as a whole (13 per cent). The proportion varies a great deal within Africa itself. As in the case of other underdeveloped countries, the external indebtedness of all African countries has increased appreciably in recent years. During the three-year period ending December 1958 it had increased from \$5 million to \$291 million in the United Arab Republic, from \$371 million to \$516 million in the Federation of Rhodesia and Nyasaland, and so on. Debt servicing has thus become an acute problem for many African countries. The growing volume of aid will make this problem even more urgent in the future. Another factor

with some bearing on international assistance is the time gap between allocation of capital and the starting of a project in Africa. Very often this is due to lack of experience in planning projects. The selection and planning of projects is proposed to be speeded up by the Economic Commission and the various lending bodies with a view to making assistance more effective.

Table 2 : African Trade by Currency Areas
(Million U S dollars)

	1957	1958	1959
Total			
Exports	5,700	5,570	5,809
Imports	7,530	7,560	7,190
Balance	-1,830	-1,990	-1,381
Sterling Area			
Exports	2,620	2,500	2,840
Imports	3,400	3,360	3,240
Balance	-780	-860	-400
Franc Zone ^a			
Exports	1,507	1,654	1,411
Imports	2,443	2,554	2,323
Balance	-936	-900	-912
Other Countries			
Exports	1,573	1,416	1,558
Imports	1,687	1,646	1,627
Balance	-114	-230	-69

^a Excluding the French Somali Coast, the Comoro Islands and Reunion; including Guinea.

Source : Unesco, Economic Commission for Africa.

Pattern of Trade

African trade has shown very little change in its nature or geographical distribution, as should be clear from Table 1. The overwhelming importance of Western Europe and France and associated countries in the Franc Zone in Africa's foreign trade is indicated in Table 2. But within Western Europe the shifts are more marked. The six members of the European Economic Community have increased their share of African trade, mainly at the expense of Britain. EEC countries bought 38 per cent of Ghana's exports in 1959 compared with 33 per cent in 1958. They also bought 34 per cent of Nigerian exports in 1959 compared with 31 per cent in 1958. The share of West Germany has increased faster than that of the other members of EEC. The importance of North American and Canadian markets for African exports has declined although they are still important for particular African countries. Japan, on the other hand, seems to be determined to play a greater role in African trade. With the exception of the United Arab Republic, Guinea and

Ghana, African trade with the Communist countries is still on a small scale. The position may however, change in the near future. The growth of intra-African trade has so far been slow but its importance for African economic development is great.

African trade is not of a uniform character. Agricultural products account for nearly two-thirds of the total value of all African exports excluding gold. Minerals, including metals and metallic ores, but excluding gold, come next in importance and account for more than 20 per cent of exports. Gold exports account for 12 per cent of total exports. Other export items include fish, timber, a small quantity of manufactured goods like cotton textiles, leather goods, and miscellaneous primary products. The advantage gained by a slight increase in prices of some of the minerals in 1959 was offset for Africa as a whole by a fall in prices of agricultural products. Only a small number of African countries

like South Africa, the Congo and the Federation of Rhodesia and Nyasaland produce minerals and so the greater part of Africa had no share in this prosperity.

Changing Imports

Although the volume of African imports has been severely limited by its inability to sell more, some significant changes have taken place in the pattern of imports. Textiles, for instance, have rapidly lost ground to capital equipment, basic materials and fuel oils. It is ironic, however, that owing to the predominance of cash crops in African agriculture, thanks to the colonial imposition, it has to import great quantities of foodstuffs. The import of wheat and flour into Africa was nine times as high in 1959 as the average in the pre-war period. Potatoes, canned meats and dairy products are also imported in ever larger quantities. But the diet of the majority of the people is so poor even now that, according to Professor Ritchie Calder, "laboratory rats

Table 1 : Trade of Selected Countries with Africa

Exporting or importing country	(Million U S dollars)					
	Exports to Africa			Imports from Africa		
	1957	1958	1959	1957	1958	1959
United States ^a	657.2	609.8	647.2	584.2	161.3	596.8
Canada ^a	70.7	68.0	75.5	35.0	29.5	33.5
Total: North America	727.9	677.8	722.7	619.2	590.8	630.3
United Kingdom	1357.2	1393.1	1285.3	1172.0	1071.3	1170.0
Belgium-Luxembourg	257.1	236.5	186.2	316.3	277.8	329.1
France	1732.1	1871.4	1769.7	1524.2	1525.1	1230.9
Germany, West	449.1	455.2	498.6	480.4	467.4	525.4
Italy	202.7	207.6	202.1	246.2	231.5	268.4
Netherlands	168.8	181.9	181.0	151.0	177.0	202.9
Austria	39.8	25.7	30.9	29.4	36.6	24.6
Denmark	22.7	22.5	26.5	4.6	6.6	11.4
Finland	17.4	16.6	13.2	13.8	5.9	7.1
Norway	42.6	41.6	36.4	32.3	28.7	46.1
Portugal	100.9	102.7	100.7	72.7	82.8	81.6
Sweden	75.3	84.6	91.9	45.2	42.7	52.2
Switzerland	67.5	67.9	69.8	53.7	51.1	52.7
Spain	27.5	45.5	46.8 ^d	30.7	42.7	39.2 ^d
Yugoslavia	20.2	27.1	23.1	14.8	19.0	20.0
Greece	8.8	5.8	3.6	12.9	12.6	13.5
Turkey	3.9	1.2	3.2	2.2	3.5	1.0
Total: Western Europe	4593.6	4786.9	4569.0	4202.4	4082.3	4076.1
India	116.6	87.9	91.0	109.4	105.0	113.5
Japan	498.1	415.1	409.1	103.0	83.7	128.4
Singapore	34.8 ^e	17.3	22.0	10.6 ^e	7.4	5.6
Hong Kong	41.8	36.6	36.3	24.9	22.4	27.3
Pakistan	16.3	15.9	26.9 ^b	1.5	1.2	2.9 ^b
Indonesia	6.0	1.8	2.1 ^b	8.8	22.3	6.5 ^c
Thailand	4.5	4.8	6.3 ^b	0.4	0.2	0.5 ^b
Australia ^a	27.5	25.7	34.5	31.8	36.6	38.7
Argentina	9.6	8.1	6.0 ^b	8.9	17.2	8.2 ^b
Total : for all countries ^f	6076.7	6077.9	5926.6	5120.9	4969.1	5037.6

^a Countries whose imports are f.o.b.
^b Yearly figure on basis of 11 months
^c Yearly figure on basis of 10 months
^d Yearly figure on basis of 9 months
^e Data refer to Malaya and Singapore
^f Total is the sum of all countries listed

Source : Unesco, Economic Commission for Africa.

fed on a typical African diet will eat their own offspring".

Africa has emerged as a supplier of a number of industrial raw materials. But the trends in world trade in a number of commodities have not been favourable to it. Take the case of coffee. Africa produces nearly one-sixth of the total world production of coffee. But as the quality of African coffee is not very high, prices have continued to fall. United States is the main buyer of African coffee, but recently Brazil has captured the U S market so successfully that many African countries are beginning to doubt the usefulness of the recent International Coffee Agreement. Cocoa is another typical item. Africa produces nearly two-thirds of the total world production of cocoa. Ghana produces about half of the entire African output and its economy is heavily dependent upon cocoa exports. The United States is again the main buyer but per capita consumption in the U S fell from an average of 4.71 lbs in 1936-40 to 3.55 lbs in 1955-58. Consumption of cocoa also fell in the United Kingdom but this has been offset by a sharp rise in demand in West Germany, the Netherlands and Japan. Recently Ghana has also made an agreement with Russia to dispose of its surplus stocks of cocoa. But the fall in demand for cocoa and consequently in its prices can have a crippling effect on a country like Ghana where cocoa accounts for more than 60 per cent of the total exports of the country. In the Republic of Cameroon, too, cocoa accounts for more than 40 per cent of total exports. Cotton can also be taken to prove the same point. Africa produces only about 13 per cent of the world production of cotton. But cotton accounts for more than 70 per cent of Egyptian and 60 per cent of Sudanese exports. While world production of cotton is rising, the production of man-made fibres is rising even faster. This may have far-reaching consequences for the cotton-based economy of several African countries.

Rapid Industrialisation

In programmes for African development, industrialisation must receive top priority. Industrialisation need not mean the establishment of only basic and heavy industries.

These should be established where the necessary minerals are found. Manufacturing industries producing consumer goods of a wide range also need to be established. At present Africa is living off its exports of agricultural goods and industrial raw materials. This cannot go on for ever. Sooner or later a crisis will overtake it unless correctives are applied now. It is a great pity, therefore, that at present most of the investment in mining industries is limited to extraction of the minerals. Under western persuasion many African countries are opening up mines merely to export raw minerals. One can only hope that soon they will start processing these minerals. Even more important is the need to shift the pattern of agriculture away from cash crops to foodgrains so that the dependence on imported foodstuffs can be reduced. At the same time, the important cash crops, too, can be improved in quality and yield by the application of modern methods.

Political Problems

All this can be done, and will no doubt be done in due course. But it requires capital in the form of aid from outside. This is the first uncertain factor conditioning African development. The second uncertain element is the lack of unity in Africa which is accentuated by the policies of the colonial powers. To overcome this, the urgent need is to develop intra-African transport and communication complexes. The fragmented political set up in Africa with innumerable frontiers and customs barriers is another stumbling block to progress. No matter how much Africa can export to Europe or Asia or even America, the long-term development of the continent depends on a vigorous growth of intra-African trade. There is some awareness of this problem but its urgency is not always realised, even in Africa. Lastly, there is the big problem of Africa's relationship with the colonial powers in the light of the new economic groupings in Europe.

The social and political problems of development in Africa are equally complex. Foremost is the problem of land tenure. The traditional system has become corrupt and chaotic. In far too many places land has been cut into tiny uneconomic holdings. In any programme

for regeneration of African agriculture, land reform, therefore, will have to be given a high priority. What sort of reforms will be actually introduced will depend upon the ruling elite. It is at this point that grave doubts begin to be felt about the future development of Africa. Political power in most African countries is being transferred to a small but rich and powerful oligarchy. The exceptions to this rule are few. Only a mass movement can force these oligarchies to part with their power and riches. Present signs are that this will not happen for a while yet. Meanwhile, the rich will grow richer while the poor will have to be content with marginal improvement in their living conditions.

The problem of urbanisation is also there in Africa but it is not quite as insoluble as in Asia. The African cities are not yet, with few exceptions, very large. Careful planning now can prevent the acute problems of rapid urbanisation with a low standard of living. But another decade of unchecked growth will reduce African cities to a cesspool of slums. Lastly, the problem in Africa is to plan an economy which will take into account the break-up of traditional society and values under the impact of industrialisation and modernisation while at the same time preventing too abrupt a break leading to total alienation. Given the will and leadership, none of these problems is insoluble. But they will take time and Africa is a continent in a hurry.

Small Savings

THE sale of prize bonds during the four months, April to July 1961 came to over rupees one crore. The total sales since the prize bonds scheme was introduced in April 1960, to the end of July 1961, were Rs 16.6 crores.

The net small savings collections during 1960-61 amounted to Rs 103.79 crores. This is the first time that during the Second Five Year Plan the net small savings collections exceeded Rs 100 crores. During the four months, April to July 1961, the net small savings collections amounted to Rs 16.12 crores.

Conceptual Framework of Regional Planning

S R Sarna

Economic diversity, if not properly balanced and controlled, creates a structure of expanding, stagnating and regressing regions within a country, notwithstanding political unity and cultural integration. These regional inequalities are a necessary concomitant of the self-perpetuating processes of regional specialisation visualised in the Weberian theory of location.

The micro approach to problems of location is concerned with the location of a particular industry or an industrial unit. In the dynamic approach to spatial economics, however, it is the region or the entire industrial structure of a region which is the unit. Such an approach is concerned with all the conditions which must be fulfilled to move a region from its position of static equilibrium and industrialise it in a balanced manner.

Planning for regional development thus proceeds from a study of the various alternative possibilities of evolution for a particular region, and involves the selection of those policies and programmes which are likely to reduce inter-regional inequalities to the minimum.

THE spatial dimension in the concept of state reveals a formative "integration-disintegration" process, to the extent that whereas the State can be visualised as an integrated and composite entity, based upon the fundamental territorial unity and the homogeneity of national life, the region can be assumed as a disintegrated primary unit, rooted in the territorial diversity and heterogeneity of national life. Under the superstructure of the state, the pattern of region-formation, arising from a scatter of population tied to a scatter of land and natural resources, may either conform to a natural subdivision of territories according to administrative convenience, or may occur as a sub-structure of space-units of various forms and functions.

This regional complex, as a result of the areal-disintegration of the composite state, may emerge as an interwoven network of either naturally-determined regions like rainfall regions (or the broader hydrological regions) soil-regions or geographical regions, crop-regions (or the broader flora and fauna regions) climate and meteorological regions, mineral-regions and geophysical regions, or man-made regions like administrative districts, zones or regions, or lastly the population-based regions like ethnological and cultural regions and linguistic regions. (Though all types of regions, as units of spatial-division, are linked with some economic function or purpose, a clear-cut economic region is a rare accident). To the extent that these functional divisions are found generally not in conformity with

the political divisions, these regions do not respect political boundaries and spill over many frontiers, leading to and resulting in problems connected with regionalisation and regionalism. Perhaps, it was in view of these problems that August Loesch defined region as a "system of various areas, an organisation rather than an organ".¹

Structural Dissimilarities

The diversity in the patterns of regional economies is inherent in and inspired by various structural dissimilarities and inequalities in respect of areas of the region, size of the population, geographical situation and natural endowments. These relative differences in regional characteristics and formations are further accentuated by functional divergencies in productive efficiency of the working population, volume of employment opportunities, food and non-food agricultural output, utilization of mineral and other natural resources, power-supply and fuel-resources, rate of industrial and technological progress, mobilization of internal financial resources for capital formation and development of economic overhead capital. According to Haavelmo, "the structural co-efficients of the system could be grouped into the following four categories (a) parameters describing the size of the regions, the disposable natural resources, climatic conditions etc; (b) technological parameters that describe the input-output relations, under which the region has to operate; (c) parameters related to the presence, the activities and the decisions of other regions, but relevant to the activities of the region concerned; and, (d) parameters characterizing in-

tra-regional behaviour, such as the desire and willingness to work, to consume, to procreate".²

These parameters of structural differences and functional divergencies, tend to create and multiply differential behaviours or motivations and promote divergent forces in the socio-economic sub-universe, which transmit variegated stimulants to and result in dissimilar reactions in the already diverse patterns of regional economies. According to Gunnar Myrdal, "if we use such a simple measure of regional inequality, as the proportion of the total population of a country living in a region where the average income is less than two-thirds of the national average, we find that this proportion amounted to only a few per cent in Great Britain and Switzerland, to some 10 per cent in such countries as Norway and France, and to about one-third in Italy, Turkey and Spain".³

Regional Inequalities

Economic diversity, if not properly balanced and checked, creates a multi-dimensional regional-structure of expanding, stagnating and regressing areas within a country, notwithstanding political unity and cultural integration. "The problem of inequalities," according to Gunnar Myrdal, "then, becomes a problem of the different rates of progress, between the regions of the country."⁴ And these different rates of progress are universal; in advanced countries, there are not all equally advanced regions but comparatively more or less advanced regions, whereas in under-developed or backward countries, there are not all equally backward regions but

comparatively more or less backward regions. In Brazil, the state of Sao Paulo has pulled far ahead of other states whereas Minas Geraes, Parana or Matto Grosso are certainly far behind. According to Professor T W Schultz, "while Canada is beset by low productivity per worker and much poverty as one goes east, within the United States, it is the south that has been substantially by-passed by economic development."⁵ Not only that. In United States, regional economic equalities are found even within the States, to the extent that the northern parts of Michigan, Wisconsin, and Minnesota have been serious "problem areas" compared to the rest of these States. In Italy, industry in the Northern Provinces had such a lead and was so better developed that it dominated the national market and suppressed the industrial growth in Southern Italy. Industrial growth in the poorer provinces of Southern Italy shunted off more or less by the pulling down of internal tariff-walls after the political unification of Italy in the last century. Gunnar Myrdal has concluded that developments in Sweden, as also in U S A, have not been such as to draw the whole country into a more or less equal and simultaneous expansion process.

These regional inequalities and dissimilarities, which pave the way for and end in an entangled cobweb of multi-variate commodity-balances, are a necessary concomitant of self-perpetuating processes of regional specialization, visualized in the Weberian theory of location. The Weberian theory, which is a microscopic approach to spatial economics, stipulates that the location of industry, or to be more precise the location of an industrial unit or firm, in a given region, is governed by the *loci* of raw materials, energy resources, labour supply and the market, all of them being geographically fixed from the point of view of the individual industry. In this context, industrial localisation has been defined by Professor Florence as the local concentration of one industry compared with the distribution of industries as a whole, and a co-efficient of localisation, based on regions, indicates the degree of such localisation of all industries.⁶ The dispersion of markets within a region is indicated

by the population-density, and the connected "density-effect" determines the concentration of larger plants or greater specialisation in densely-populated local markets or industrial districts. This location theory, on a microscopic level, emphasizes the locational co-relation between as well as adjustment of geographically-immobile factors and geographically-mobile factors, or size and dispersal of the plant. This microscopic utilitarian approach has provided a vigorous defence or justification, howsoever weak in the ultimate analysis, to the concept of comparative costs based upon natural or acquired or other advantages, at a particular site, which tend to be self-reinforcing in the process of locational agglomeration, and if not checked in time lead to the emergence of industrial concentration and slums. But this theory is oblivious of the scope of macro-economics in the regional complex or the aggregative, dynamic forces striving to change the quasi-stable equilibrium in regional economies.

Measurement and Analysis

Professor Sargent Florence has introduced three new concepts in spatial economics, for the statistical measurement and analysis of the degree and incidence of location as well as localisation. The "location-quotient", for any industry in any region, indicates the degree of concentration, and "is obtained by dividing the percentage of workers in that industry found in the region by the percentage of total workers found there." The "co-efficient of localization" for a particular industry, measures the degree of local concentration of that industry compared with the distribution of industries as a whole. The co-efficient of localization or local concentration "is the sum (divided by 100) of the plus deviations of the regional percentages of workers in the particular industry from the corresponding regional percentage of workers in all industry." This indicates the propensity of a particular industry for localization and on the basis of that "dispersed industries can be measurably distinguished by a low co-efficient of localization, ubiquitous industries by a certain minimum of location in every region." The "co-efficient of linkage" or geographical association

measures the location of a particular industry compared to that of another and signifies the extent to which two industries tend to be located in the same region owing to related technical processes or mutual inter-dependence. This linkage or association, between two industries A and B "compares A's percentage of workers in different regions, not with that of industry in general, but with industry B's percentage." These concepts envisage the dimensions of the static equilibrium in spatial economics and the inter-regional relations of regional economies.

The dynamics of the macroscopic approach to spatial economics takes up an altogether different co-relation between the multi-variable forces and factors influencing the entire intra-regional economic activity as well as affecting the inter-regional terms of trade. In the macroscopic theory, it is the region or the entire industrial structure of a region which is the unit not the individual plant or an individual site. This aggregative concept, infused with a dynamic approach, envisages the whole perspective and studies all those conditions which must be fulfilled before a region can change its static equilibrium, become industrialised in a balanced manner and can reach a take-off towards integrated economic growth. From the point of industry as a whole, the market and the labour force are not fixed and are determined by the industrial structure of the region, and the industrial structure of the region is determined by the mobilities of materials and resources which are fixed locationally. Professor J H Dale assuming a fixed co-efficient of production has concluded that "the locational attraction of any material thus varies directly with the amount of that material used in production, and inversely with its mobility," subject to the condition that "a region will be able to pay for its imports by exports either of its staple primary products or its manufactures."⁷ But, insufficient mobility of resources makes it impossible to cancel one specific discrepancy with the other and tends to fluctuate in such a way that the aggregative magnitudes will not stay in balance. To remove these deficiencies and imbalances, structural shifts, and not marginal shifts, are needed, so that specialised resources

may change their regional and occupational specialization in response to changes in demand.

Dynamic Equilibrium

Given the desideratum of changing "the quasi-stable equilibrium of under-development" in spatial economy, the time-path of progress tends to introduce a dynamic element of resource-mobility into the macro-statics of the economy of a region; as progress is inevitably associated with internal shifts in the structure of production and in the structure of regional economy. According to Professor Fellner,⁸ the condition of dynamic equilibrium starts with the improvement process to offset the diminishing returns, as persistent diminishing returns or downward shifts of the marginal efficiency schedule are incompatible with sustained growth and also with full realization of the capital framework. The consequences of this improvement process or economic development are not only a rise in the real output per unit of input of human effort but also to stop the chain-reactions of what Professor Gunnar Myrdal has called "backwash effects", whereby contracting forces, working through migration, capital movement, trade, and the whole gamut of other social relations, tend to make regions either stagnating or regressing. The dynamics of increasing returns, or spread effects, that is reversing the gears of backwash-effects, may well lead to an industrial revolution. In the words of Professor T W Schultz, "the broad sweep of the industrial revolution may well be viewed as a long, secular boom in economic possibilities."⁹ These possibilities are concerned with eliminating instability and imbalance in the regional economy, injecting mobility in the subsistence nature of economic activity, reshaping and expanding the productive capacity of a region, mobilizing the manpower at full-employment level and material resources at full utilization capacity, undertaking a composite development and socio-economic integration of the region under a well-coordinated and balanced inter-regional programme.

In the final analysis, regional development proceeds from a study of the "various alternative possibilities of evolution" for a given region, involving a selection of those

policies and programmes which are likely to reduce the reducible inter-regional dissimilarities by balancing the regional input-output ratios and inter-regional commodity-balances and by removing the prevalent locational imperfections through dispersal of industries, diversification of output and decentralization of control. A programme of regional development, aiming at long-range changes in the production-function, is a selective though dynamic business, as it has to make initial policy-decisions concerning choices between slow but balanced growth and rapid but unbalanced growth, between comparative advantages at present and cumulative advantages in future, between concentrated development with external economies as well as industrial slums and dispersed development, with healthy surroundings and no external economies, between specialization of output haunted by business fluctuations and diversification needing huge capital outlay. The resultant choices depend upon certain behaviouristic parameters, certain technological parameters, and on a set of initial conditions of the system. A comprehensive regional development programme, attuned to a commensurate expansion in the regional input-capacity and the effective demand for regional optimum output, strives hard to make the initial push and then spread the contagion step by step and stage by stage, under pre-determined priorities, in order to achieve a secular rise in regional real income, "resulting both from productive activities within the region and from trading activities between the regions."

Executing the Programme

But the question arises whether such a composite and gigantic programme of regional development should be framed and executed by inducement or by direction, under a free economy or a planned economy. The case for inducement, according to Professor W A Lewis,¹⁰ stands on the ground that "when we are seeking to develop particular regions, it is better to proceed by inducement than by direction... If industry will not come to an area even when special efforts are made to reduce the cost of working there, it is dangerous to direct it there, for there must be something basically wrong with the area." But

Professor Lewis has also agreed that "*laissez faire* leads to incorrect location". Therefore it is practically advantageous that location must be planned in the interest of the society and in the interest of the region. But regional-planning is a double-headed Janus. It involves location-planning as well as resource-planning. Area-planning, guided by a master-plan for the all-round development of the region, envisages a long-range inter-linked forward-planning in respect of urban and rural sectors for achieving an integrated intra-regional development of the whole regional economy. Moreover, area-planning, in order to avoid the pitfalls of leads and lags under an isolated development, has to carry the crusade along with other regions, guided by a composite master-plan of inter-regional or national development.

Resource-planning for the whole region is an equally comprehensive job. As Professor G D H Cole has said, some of the natural and acquired advantages in an area "are fixed and alterable only over a long period as a result of new scientific methods, whereby men can more fully control the conditions of their environment. Others are alterable at will or may be altered at any time by forces more or less amenable to control." Resource-planning, however, is not a single track process, proceeding only with the dispersal of existing industrial concentrations, or directing the location of new undertakings, or changing the existing pattern of regional or locational specialisation of labour, or promoting greater diversification of agricultural and industrial activities, or promoting better utilization of available material resources, or finding their new uses, or employing manpower at full employment capacity or reorganising the dispersal of population according to the nature and needs of employment-opportunities. It is a mix of all advantageous ways and means. Thus, resource-planning, inspired by the macro-dynamics of multi-variate input-output ratios of regional economy, injects mobility into a static equilibrium and envisages an integrated perspective planning in respect of agriculture, industry, trade, economic overheads and social services, for the uplift of the

entire regional economy. As Professor Dobb¹¹ has explained, "many factors, which were treated as constant magnitudes before, become variables, and moreover dependent variables, in the problem for solution. The transport-map may be adopted to the requirements of industry, as well as industry moved to the least-cost location on an existing transport-map. New power-sources may be developed; new mineral resources previously unprospected or unexploited may be worked and industry moved to their vicinity, instead of development being confined to resources or raw materials near the old centres of industry. In conformity with a long-term plan, not only may whole industries be moved to a new location, as a unit, but a whole industrial complex, embracing auxiliary industries, linked by the utilization of by-products as well; and where industry goes, there go centres of population and consequently markets and labour supplies also."

Regional Planning

Regional development, under the urge and guidance of a free economy, needs a 'shot in the arm', which generally comes from war or technological changes or other 'revolutionary' changes. In the United States, the recent movement of industry to the South, after a long-standing stagnation, is heavily indebted to the changes brought about by the war-efforts during the Second World War. In Great Britain, the initial push came from technological changes in fuel and energy, leading from the use of charcoal to steam coal and later to electric-energy, resulting in the geographical shifts of industries and the population. According to Professor E A G Robinson, "the shift from south and east to the north in the Industrial Revolution, the shift back from north to south in recent years, has shifted not only the place of certain manufactures but also the places of consumption, to which many further industries are ministering and has thus reinforced the initial movement."¹² But, regional development under *laissez-faire* is deplorably slow and tinged with other undesirable consequences. Professor G D N Worswick has complained that "no one planning the location of British light-industry *ab initio*, could have produced the disorderly

"conurbation which is known as London."¹³

The most striking example of regional planning was provided by economic development in Soviet Russia. Whereas, previously, industrial development, following the "Europeanization" of Russia by Peter the Great, was mainly concentrated in the West, an eastward shift of industry is taking place since 1928. Soviet plans, in respect of long-term programmes for the geographical distribution of industry, have treated the fuel and power network as the foundation-plan of its structure. Under the original Electrification Plan and later the regionalisation plan of Gosplan, the main emphasis had still to be given to the older regions, because the traditional centres of population and of industry had for the time being to be treated as the crucial constants in the problem". The agenda, however, of long-term regional planning had envisaged the future development in Ukraine, Urals, Siberia, Caucasus, Central Asia, Baikal and trans-Baikal regions. By now, "the canvas of Soviet Economic life is of eight or nine main industrial regions, each raised upon the foundation of its man-power-fuel-mineral situation." With in each region, "the order of determination has generally been from mineral and power resources to heavy industry, and from heavy industry to transport-facilities, the growth of towns and founding of light-industry which cater for the consumer."¹⁴

Regions in India

The story of regional development in India, goes back to 1916, when the Industrial Commission made certain recommendations for reducing the industrial congestion in Bombay city. The Reconstruction Committee of the Council recommended in 1944 that the industries should be extended in a rational manner over the whole of India and that every assistance should be given towards the establishment of industries in such (industrially underdeveloped) areas. Later, the Planning and Development Department in 1945 issued a statement on the industrial policy which, *inter alia*, disapproved concentration of industries, "on economic, social, and strategic grounds" and envisaged that "it would be necessary to fix

targets, to allocate them on a regional basis, and to see that these targets are achieved." The First and the Second Plans allocated a prominent place to State Plans. Regional development got further recognition in the Industrial Policy Resolution of 1956, which clearly announced that "disparities in level of development between different regions should be progressively reduced". It also recognised that one of the aims of national planning was "to ensure that these facilities (power, transport, etc) are steadily made available to areas, which are at present lagging behind industrially". The techno-economic survey of Bihar State, conducted by the National Council of Applied Economic Research, is another step forward towards regional allocation of resources and a balanced development of regional economy.

The regional pattern of the Indian Union is a product of many historical factors. The administrative structure of India, before 1947, was distinguished by two separate entities known as British India and Indian States. This set-up was shaped not by any rational considerations, but "by the military, political and administrative exigencies or conveniences of the moment," with no regard to the history of the land and its various parts, and with no scope for the needs and the affinities of the people. When India achieved independence in 1947, one of the major tasks of administrative reform was the rationalisation and integration of these ill-assorted administrative units into a coherent and balanced pattern. By 1950, when the new constitution came into force, the country got rid of more than 500 princely states and welded the units into a federating Union, consisting of Part A, B and C States. This revolutionary change may be called the "first phase" of integration of the political and administrative structure of post-independence India. The 'second phase' was a bolder step, concerned with the emotional integration of various units, on linguistic and cultural basis, for creating and reinforcing 'unity out of diversity.' As a result, States Reorganisation Commission was appointed in December, 1953 and was guided by certain broad principles included in its terms of reference, viz, (1) the preservation of the unity and security

of India; (2) linguistic and cultural homogeneity; (3) financial, economic and administrative considerations; and (4) the successful working of the national plan. The final reorganisation of States was enforced in November, 1956. The Commission had also recommended, *inter alia*, that a permanent body should be set up to examine the grievances regarding the alleged neglect of the development needs of certain areas and that an industrial location-policy should be formulated which will ensure equitable distribution of development expenditure.

Administrative Reorganisation

As a result of reorganisation of States, the 28 erstwhile States were re-shaped and reduced to 14 States and 6 centrally administered 'territories', thereby creating regions within the States on economic and other non-linguistic considerations, establishing regional committees in some States, and zonal councils for promoting common development needs of States. These regions are, at present, going through different stages of economic development — a few like South Bihar are relatively going ahead, others have not yet recovered from stagnation, while some like Madhya Pradesh (because of the Bhilai Steel Project), Western Rajasthan (because of Rajasthan Canal), Southern Rajasthan and Madhya Bharat (because of the Chambal Project) are perched for an era of progress and prosperity. To bring economic development to all regions and to all parts of the country, in one form or another, through direction or inducement, is the real and ultimate aim of national planning. Economic planning for regional development, as distinct from town and country planning, has been defined by Professor G D H Cole as the process of "taking any area to which planning is to be applied as it is, and considering how to make the best of its natural and acquired resources, and how to develop them, from the standpoint either of achieving the highest possible total of production, or of value generated by production, in the area concerned, or of working its productive capacity with that of other areas so as to achieve the largest possible value of production over the combined area as a whole."

The major requirement for the establishment of a sound base of

regional development, is the adequate provision of the factors of production: (1) entrepreneurial skills, including business and capital management; (2) capital equipment and other forms of capital; (3) labour and skill; and, (4) raw materials and natural resources. Thus, regional development is fundamentally a problem of macro-dynamic resource-allocation, taking into account the multi-variate estimates of resource-requirements and prospects of resource-availabilities, or the Harrodian "warranted rate of growth" blended with the Keynesian "effective-demand". To ignite the initial spark of expansion under these circumstances, a primary investment to induce a multiplier process, followed by a secondary investment to enforce an acceleration process, is required in order to introduce an upward change in the placid subsistence economy of a region. This capital movement may also lead to and therefore is essential (1) for rationalising the too rudimentary degree of division of labour for promoting any industrial specialisation; (2) for creating new-capacity or expanding the present capacity to accelerate industrial growth; and, (3) for development and efficient utilization of unexploited or under-utilised natural resources.

This 'initial' spark of investment, and its later supplements, may be conditioned by the considerations that most under-developed countries and also regions in such countries have no traditions of industrial investment; they suffer from a serious shortage of capital in relation to land-resources. Domestic capital for regional development has got the advantages that it can pay more attention to local resources and local requirements, can mop up or plough in dormant savings which may otherwise remain idle, and can plough back increases in income to convert area-development into a cumulative and self-reinforcing process. If, therefore, regionally-inspired and regionally owned capital cannot be sufficiently mobilized, extra-regional capital and enterprise has to be attracted or invited in the form of 'new-undertakings' or 'branch-plants', which tend to deplete the regions' capital-structure by the export of industrial savings and to move away in times of depression. In India, an origin-wise

break down of industrial capital, from domestic (regional) and outside sources, is not available, but capital structure is distinguished by the following features: (1) capital is mainly concentrated in big cities; (2) 'small capital' is mainly local in nature; and, (3) 'big capital' comes mainly from outside.

Role of Overheads

Economic development of a region on the Harrod-Domar model, mainly works through the potential growth in output, which is compounded of increases in productivity per worker and increases in the labour-force, and is closely associated with the growth in capital stock widening of capital and deepening of capital. Expansion of economic overheads, also called 'economic infrastructure', by providing external economies to other industries and lowering the capital co-efficient subsequently required per unit of output, makes possible a more rapid rate of growth in future. Given the growth in output, as determined by available resources, the capital co-efficient indicates the necessary increase in the capital stock or investment which is required by the prevailing state of technique. Thus, investment-opportunities are determined by (a) changes in productivity per worker; (b) population growth; and, (c) technological developments which control the capital-coefficient. But this process, providing a multiplier to the consumption-function and to the investment or accumulation function, is a slow one, whereas a powerful upward surge of autonomous investment reinforced by a multiplier and an accelerator is needed for a rapid rate of growth. In the absence of this, particularly in under-developed areas, an all-out government programme of investment in productive undertakings as well as economic overheads is the only remedy. In pre-independence India, according to Alak Ghosh,¹⁵ distribution of gross public investment in economic overheads, between different regions, shows that nearly 54 per cent was concentrated in North-Western and North-Eastern India, the former absorbing a large share of investment in irrigation, whereas the latter receiving a sizeable proportion of investment in railways. In the inter-war period, the shift in the direction of investment "in favour

of central and southern regions indicates not only the tendency towards a more even regional distribution of investment but also the increasing emphasis laid on the provision of economic overheads for the development of areas, which commercially and industrially were beginning to assume importance." However, these deficiencies and drawbacks in the regional distribution of economic overheads are being progressively corrected by capital outlays on irrigation and power, industry and mining, and transport and communications under the First and the Second Plans.

As investment follows effective demand, expansion of all sectors of regional economy is intimately connected with and leads to an increasing demand for internally (regionally) produced goods. To become industrialised, a region having more than 50 per cent of raw-materials or natural resources by weight of the material requirements of an industrial activity must import other essential materials to complement its own resources and must overcome transport-resistance. Otherwise, the region's own resources will remain either unused or will be used as isolated resources, so that raw-materials will be 'imported' from other regions, thus creating an adverse commodity-balance. In this under-developed economy, 'subsistence' agriculture becomes the main prop, and a major share of the region's agricultural output, except locally consumed food-crops, is produced for the extra-regional market, if processing industries are not located inside the region. Whatever industries are located inside the region, a substantial part is connected with material-oriented or labour-oriented industries and this industrial capacity grows in response to demand originating from outside the region, so that these 'export' industries may be considered as an alternative to even greater outward migration of materials and labour force. The pattern of trade is immensely influenced by the pattern of commodity balance. Even the banking system, if not regulated to act differently, tends to become an instrument of siphoning off the savings from poorer regions to the richer regions, where returns to capital are high and secure. According to Gunnar Myrdal, market forces in a poor country "work more

powerfully to create regional inequalities and widen those which already exist." Thus in the pre-industrialised conditions of regional economies, the inter-regional terms of trade operate with a fundamental bias, in favour of advanced regions against the under-developed regions, leading to a regional specialisation of economic activity based upon the theory of comparative advantage.

Regional Specialisation

In India, this regional specialisation is responsible for jute cultivation in Assam and Bengal, tea in Assam and North Bengal, coffee and rubber in South Indian States, wheat in the Punjab, U P and Bihar, and rice in Assam, Bengal and South India. Coal mining and iron-smelting is concentrated in the iron and coal belts covering south Bihar and Bengal. The emergence of Madhya Pradesh and Orissa, on the coal and iron maps of India, is a new opening under the 'steel-planning'. In the industrial field, jute-manufacturing industry is heavily concentrated in West Bengal. Sugar industry was originally localised in Western UP and Bihar, but in recent years, there has been a distinct movement of sugar-producing capacity towards Bombay and farther down in the South, in order to reach nearer the consuming markets. Cotton-textile industry, upto 1920, was localised in Bombay. There has been, in recent years, a change in the location of industry, with the emergence of mills in Delhi, Kanpur, Bangalore, Madura and other places. Now a product-wise division has taken place, whereby Bombay is mainly engaged in production of finer varieties of cotton-textiles, which are less bulky and high-priced, whereas new centres are producing coarse and medium-quality cloth for local requirements. So far as the paper and cement industries are concerned, the productive capacity is more or less evenly distributed all over India. The pre-1950 pattern of industrial location was, to a large extent, distinguished by concentration in relatively advanced regions, being influenced by and limited to urbanised management and capital. However, as a result of planned-industrialisation, dispersal of industries is slowly emerging and going apace.

This policy of dispersal and diversification, or the broader concept of regional or geographical mobility of resources, is intimately conducive to and co-extensive with the mobility of population. According to Professor GDH Cole, "the control of industrial location is one aspect of the planned development of the distribution of population." It is the pattern and place of work which determines the pattern and place of living. Progress is, therefore, not only inevitably associated with internal shifts in the structure of production, it is also the direct and immediate purpose of technological progress to make it possible to produce the same amount of goods with lesser number of workers, or more amount of goods with the same number of workers. In either case, there is a problem of displacement or transfer of manpower and material resources. Regional development, after the initial push and reorganisation, therefore tends to move towards the ideal of better utilisation of material resources and full employment of manpower, and a consequent inter-regional migration of population as a corrective measure for the imbalances and imperfections in the existing distribution of population. This migration primarily takes place because, in the previous set up of inter-regional flows of capital and labour inputs, the losing regions had got more working population and less productive capital, whereas other regions had got away with more productive resources. Because growth involves change, it is a necessary concomitant of growth that labour should be mobile, leaving one occupation or enterprise and joining another, leaving one area and going to another.

Immobile Population

Indian population is, on the whole characterised by a general immobility—social, occupational and geographical. In respect of geographical immobility, Professor S Chandrasekhara¹⁶ has estimated that nearly 90 per cent of the people, in every Census have been enumerated in the district in which they were born. Another 5 per cent have been enumerated in the adjoining districts, and only the remaining 5 per cent went outside their State. Thus density of population or the land-man ratio is an index of the holding power of an area and is influenced

by numerous factors like natural conditions (soil-fertility-rainfall, climate), level of agricultural prosperity resulting from irrigation and other facilities in the region, availability and rate of utilization of natural resources for industrial development, growth of urbanisation, employment opportunities. The holding power of an area, in India, is further accentuated because (1) the majority of the population is tied to land, as land is the chief source of livelihood for more than 70 per cent of the population; (2) absence of alternative employment elsewhere; (3) difficulties of adjustment in other linguistic regions; and (4) other social factors which stand in the way of labour mobility.

The 'pull' factor, aided by the 'push' of poverty in backward regions, has been strengthened as a result of relative prosperity in certain regions, viz textile and other industries in Bombay, jute and other industries in West Bengal, sugar industry in Western U P and Bihar, tea gardens in Assam coal and iron belt of Bihar and West Bengal. Many more industrial areas are needed and would have to be created and developed if the 'pull' factor is to be strengthened and the desired redistribution of population is to be achieved. The bold experiment of integrated regional development, undertaken by Damodar Valley Corporation, on the lines of Tennessee Valley Authority in U S A, has to be multiplied. The development of Rajasthan and the Dandakaranya Scheme are expected to become landmarks in the composite regional planning. The pattern of an expanding economy will certainly rationalise the pattern of population distribution and reshape industrial location on more desirable and advantageous lines, under the aegis of national planning.

Notes

- ¹ August Loesch, *The Southern Economic Journal*, July 1938.
- ² T Haavelmo, "A Study in the Theory of Economic Evolution".
- ³ Gunnar Myrdal, 'Economic Theory and Under-Developed Regions'.
- ⁴ Ibid.
- ⁵ T W Schultz, 'The Organisation of Agriculture'.
- ⁶ P Sargent-Florence, 'The Investment, Location and Size of the Plant'.
- ⁷ J H Dale, *American Economic Review*, May, 1953 (p 181).

- ⁸ W Fellner, 'The Trends and Cycles in Economic Activity'.
- ⁹ T W Schultz, 'The Organisation of Agriculture'.
- ¹⁰ W A Lewis, 'The Principles of Economic Planning'.
- ¹¹ M Dobb, 'Soviet Economic Development since 1917'.
- ¹² E A G Robinson, 'The Structure of Competitive Industry'.

- ¹³ G D N Worswick, 'The Economics of Full Employment'.
- ¹⁴ M Dobb, 'Soviet Economic Development since 1917'.
- ¹⁵ Alak Ghosh, 'India's Economy — Its Nature and Problem'.
- ¹⁶ S Chandrasekhar, 'India's Population — Facts and Policy'.

World Trade in Agricultural Products

A RESOLUTION aimed at encouraging an expansion of world commercial trade in agricultural products was adopted on August 1 by the Economic Committee of the U N Economic and Social Council.

The resolution, approved by 16 votes to none, with 2 abstentions, reaffirms the General Assembly's views stressing that underdeveloped countries should be able to sell more of their products at stable and remunerative prices and thereby finance their economic development from their earnings of foreign exchange.

The Economic and Social Council, under this resolution, would also call

on governments of member-states of the United Nations and specialised agencies, particularly of the highly industrialised countries, to pursue policies that would encourage the expansion of world trade in agricultural products, especially by avoiding excessive agricultural production and by avoiding prejudicing the trade prospects of efficient producers from outside their countries and regions.

The resolution would invite governments to consider liberalising barriers to trade which are unduly limiting the consumption of agricultural commodities from underdeveloped countries.



EBSC-54

1440

From the Chair

Howrah Mills Company Limited

Statement of the Chairman, Sir John Brown

THE following is the statement of the Chairman, Sir John Brown, to the 136th Annual General Meeting held at 4, Clive Row, Calcutta, on Wednesday, August 23, 1961:—
Gentlemen,

Before I move the first resolution I feel it is appropriate in the circumstances facing the Mills to-day that I should supplement the information regarding the Company's working contained in the Report of the Directors dated the 7th July, which has been in your hands for some time.

From the Report you will have seen that from May, 1960 there have been successive reductions either in working hours or in the number of looms being worked. In view of statements which have been made from many quarters and which have recently received a wide currency in the daily press, I should make it clear that every cut in production means an increased cost of production to mill owners on account of increased overheads per ton and therefore either a smaller profit or a larger loss. It is difficult in the circumstances to understand the criticism which is directed at mill owners as it must be obvious that no one will willingly increase his cost of production of an article which to a very great extent has to be disposed of in the World's markets in competition not only with the jute industries of other countries but also with substitute packaging materials. What then is the reason which has forced the member mills of the Indian Jute Mills Association to restrict production? For two successive years the jute crop both in India and Pakistan has been a short one with the result that supplies of raw material reaching the mills in Calcutta have dwindled and naturally have increased in price in accordance with the ordinary laws of supply and demand. As a matter of fact, the total stocks of raw jute with mills at the 30th June in each of the last five years were as follows:—

1957	10.96	lacs	bales
1958	10.95	"	"
1959	16.70	"	"
1960	12.46	"	"
1961	4.48	"	"

Supplies at 30th June, 1961 represented barely 4 weeks' consumption on the basis of working then in force. Our own stocks were the equivalent of 3½ weeks' consumption and when I tell you that we normally regard 8 weeks' stock actually in the mill as a safe working minimum you will get some idea of the extent of the deficiency and the practical difficulties facing the staff and our operatives. Since the end of June the new season's crop has started to reach up-country markets and also Calcutta but as yet supplies are restricted and even now they do not match consumption. This situation was foreseen by the Committee of the Indian Jute Mills Association and in agreement with the Central and State Government authorities arrangements were made for a block closure of the mills for one week in each of the months of June and July. While there is no doubt that this action was instrumental in avoiding a scramble for material which was in hopelessly short supply, and resulted in spreading the burden of the loss involved over the workers as a whole and the mill companies, it is unfortunate that more recently an acute controversy has developed in regard to the necessity or otherwise for a further cut in production between the beginning of August and the time when the mills can reasonably expect to start to replenish short stocks from arrivals.

Unfounded Criticisms

Criticism of the mills is mainly on two counts; namely, that they are using coercive measures to inflict loss and suffering on the workers engaged in the industry with a view to influencing the decisions of the Wage Board which is now considering the wage structure of the industry, and secondly, that they are attempting by refraining from purchasing jute to depress its price and thereby inflict loss on the cultivators. The mills are also accused of a failure to have regard to what is described as the national interest in this matter.

Let me say rightaway that speaking for the Board and management

of your Company, and I am sure for the managements of all the other Mills in the membership of the Indian Jute Mills Association, the first criticism, namely that we are trying to harass and cause loss to our workers, is totally unfounded. The losses suffered by our operatives are much to be deplored, but they are only a small part of the loss suffered by the industry as a whole in recent months. I read recently a criticism that the wages in this industry were low. It is true that they are by no means the highest wages paid in this State, but any criticism on this score should take account of the fact that ours is an industry which has to dispose of its output largely in foreign markets and we have to accept the price which the foreign buyer is prepared to pay; and he is not obliged to buy our goods unless it suits his convenience. We read a great deal these days, both in the daily press and in the financial journals, of India's need to increase her exports in order to meet the country's mounting foreign exchange liabilities and the increasing demands of her expanding industry. We in this trade and industry have a long experience of the economics of export and we are therefore, I believe, in a position to express a responsible opinion on this subject. The export trade requires a very considerable attention to detail on the part of those engaged in it but its two outstanding requirements are, firstly, to produce an article which the overseas buyer wants and secondly, to produce it at a price which he is prepared to pay. Looking at the Indian scene to-day I think there are many who would agree with me that we are more likely to succeed in the first of these objectives than in the second. The price at which a manufacturer can afford to sell his goods is determined by his costs and the need to service his capital.

In the jute mill industry the two largest single items of cost are raw material and labour and I have seen it suggested in some of the many press reports on meetings concerning the present situation in the

industry that mill owners instead of allegedly adopting oppressive tactics against their labour and the cultivators, should reduce the expenses of management. In industry the battle to reduce costs is a constant one and I can assure you that so far as this Company is concerned it is not confined to reducing labour costs and the price at which we buy jute, which is in any case determined by supply and demand in the market. Those responsible for the comment to which I have just referred are almost certainly not aware of the fact that, for many mills engaged in the production of standard constructions of cloth and bags, in the past three months losses would have been incurred even if management and overhead expenses, including depreciation, had been eliminated altogether; in other words, the cost of the raw material plus the labour cost alone exceeded the price at which the goods produced could be sold. It will be appreciated that this is a state of affairs which clearly cannot last for long if the industry is to survive at all and continue to contribute any significant part of India's foreign exchange earnings.

The suggestion that mill owners are attempting to oppress the cultivator by withholding purchases and thereby artificially depressing the price of raw jute is equally unwarranted. Such figures as are available indicate that arrivals of raw jute in Calcutta at the present time do not match consumption even on the basis of present restricted working. It would be a simple matter no doubt for one or two of the bigger groups to enter the market and buy up all the jute that was offering and thereby leave all other groups without any source of raw material. I cannot see, however, how that would in any way improve the situation from the point of view of the production of the industry as a whole and therefore of its workers. What the mills have done is to attempt to regulate their working to the amount of the raw material of the qualities required which is in hand or in sight in the immediate future and to avoid as far as possible the total closure of individual units which, I suggest, would entail far greater hardship to the workers involved. In the case of this Company we have had to seal temporarily a further 322 looms, representing 15% of our

registered complement. It is indeed unfortunate that notwithstanding the efforts of managements certain mills were forced to close completely last week due to a shortage of raw material. I do not think that it can be seriously suggested that mill owners are so short-sighted as to see any advantage in bringing ruin to cultivators, as some of the more exaggerated press reports suggest is their object, and thereby jeopardising their future supplies of raw jute, leading in turn inevitably to further price increases.

Price Stability Vital

Jute goods are not a luxury but an essential packaging or process material used in many other industries and, from the buyer's point of view, while naturally he would wish to get his goods as cheaply as possible, most buyers whom I have met and with whom I have discussed this matter agree that stability of price is very nearly just as important as the actual price level. The question then is: at what level is stability to be determined? I have seen it suggested recently that the Central or the State Government should somehow or other lay down a minimum price of Rs. 50/- per maund for jute. This may sound fantastic to you, as it was to me to read it; but it does serve to indicate how far away from reality are some of the present critics of our industry. I have already referred to the necessity for us to compete with the jute mill industries of other countries and in to-day's terms that means particularly Pakistan. On the day on which I drafted this statement the difference between the price of raw jute in the Calcutta market and the price in the Narayangunj market was as much as Rs. 10 per maund; in other words, the Pakistan mills were getting their raw material at a price which was 24% less than the Indian mills had to pay for a fibre of what is generally admitted to be inferior quality.

From the mill owner's point of view it is indeed immaterial what price he pays for his raw material as long as he can sell his goods at a price which covers his costs and leaves him some margin of profit to put back into his business after paying a modest dividend to the shareholders. Other things being equal, it is in his interest to see that the grower is well rewarded for his

efforts as this will ensure an adequate supply of raw material for the future. We inevitably get back, however, to the question of how much the buyer abroad is prepared to pay, since we do not live in a protected internal market where demand exceeds supply. Therefore, the question of a minimum price for jute has to be considered in relation to the price at which our production can be sold. Although it is admittedly not easy, I am sure that it is not beyond the wit of all the interests involved to devise a system of minimum price fixation which takes all these considerations into account and ensures that the positions of the mills on the one hand and the cultivator on the other are equitably regarded. Such a system might well be linked with a scheme for the setting up of a buffer stock of raw jute in the mutual interests of mills and growers. This is a matter which I understand is currently engaging the attention of the Indian Jute Mills Association and the Central and State Governments and I am sure we must all hope that a speedy solution acceptable to both the cultivators and the mills will be found.

Exports

Among the many exhortations to industry generally these days is an appeal to be prepared to export, even at a loss. This is exactly what the jute mill industry has been doing for some time; and it is not just a loss incurred in respect of simply a small portion of its production which can be absorbed in the higher profits which are obtainable in many other industries on the internal market. Nevertheless, if we are to survive and keep our mills running, we have to be prepared to incur such losses as indeed we have not infrequently had to do from time to time in the past. I would, however, suggest that it would be not unreasonable to expect that in these circumstances we should be entitled to at least some sympathy instead of being pilloried by sectional interests in the raw jute trade as well as by labour leaders generally. It appears to have been overlooked in recent controversies that as far back as December last year, the mills agreed to reduce working hours rather than to seal more looms in order to lessen the impact of the situation on the workers and this has

resulted in additional losses to the mills during the intervening months, thus aggravating the already difficult position arising from the disparity between raw jute and manufactured goods prices, the only reason for which is the high price of jute caused by a physical shortage of fibre.

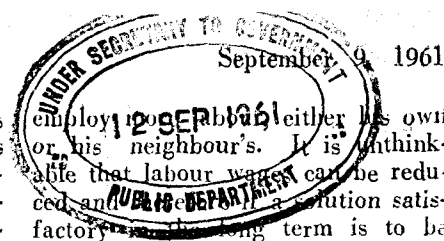
I have already referred to criticism of mills and their managements for an alleged failure to consider the national interest in this matter of adjustment of production in line with available supplies of raw material. Such criticism, I feel is greatly to be deplored. The term "national interest" may be interpreted in a variety of ways but to me a factor which must always find a place in any consideration of it meaning is the contribution which the particular policy which is advocated is going to make to the future of this country, the building up of its industry and an increase in the standard of living of its people. Who is it who is looking to the national interest in considering the solution of the present difficulties of our industry? Is it those who are clamouring for a jute price of Rs. 45 per maund or even Rs. 50 per maund when our competitors in foreign markets can buy their raw material at Rs. 32 per maund at present with a prospect of a substantial further fall? Is it those who claim to be representing our workers and who demand higher wages without any change in work load and without any reduction in the numbers presently employed? Or is it those who look ahead five or ten years and who on the basis of the history of the past thirty or forty years realise that while the world's consumption of packaging material has gone up enormously, consumption of jute goods has not risen proportionately and furthermore that major jute industry is being built up right on our doorstep so that international competition can only be intensified, leading to keener and keener prices and demanding reduced costs with ever increasing efficiency at all levels if the future of the Indian cultivator, the mill worker and the shareholder are to be safeguarded? It is no use blaming the foreign buyer and complaining that he should pay more for his goods. The remedy is to be found much nearer home. It is in the hands of all those who have an in-

terest in this industry, whether as growers of the raw material, as workers in the mills, as managements or as shareholders, not forgetting the Central and State Governments whose overall interest is to see that a broad equity is maintained as between all those engaged in the industry while, particularly so far as the Central Government is concerned, ensuring that the industry's capacity to earn foreign exchange for the country is not impaired in the long term by sectional interests.

Criticism of the mills, particularly by raw jute and labour interests, seems to overlook the fact that as a class shareholders in jute mill companies have not only not as yet benefited in terms of income from the heavy capital expenditure which has already been incurred on modernisation but practically alone among equity holders, have also seen a substantial decline in the value of their investment, not only since the partition of the country in 1947 but even since 1952-53, on which year the Reserve Bank of India's indices are based. This is indeed a poor reward to those who have provided the financial sinews of what was last year once again the country's leading export industry in terms of foreign exchange earnings.

Outlook

If this industry is to continue to occupy the place in the country's economy which it has made for itself, and if it is to expand its production to anywhere near the limit of the present installed capacity, it is absolutely essential that all of those who are concerned in it, whether they represent capital, management, labour or the Central or State Governments, should examine closely the probable trend of events over the next ten years or so. I am one who believes that the outlook is not nearly so grim as it is sometimes painted; but my belief is subject to one important reservation and that is that our costs of production are reduced, and reduced very substantially. Nothing will be gained, I am sure, from evading this issue. The cultivator will have to get his reward from an increased outturn per acre; in other words, with the aid of fertiliser and improved seeds he will have to produce more jute without having to himself



employ either his own or his neighbour's. It is unthinkable that labour wages can be reduced and a solution satisfactory in the long term is to be found to this question of wage rates it must be by the employment of improved mechanical methods as a result of which higher wages can be paid to a reduced number of workers.

From the point of view of the mills, the majority of them are still endeavouring to amortise the heavy capital expenditure incurred in recent years in modernising the preparing and spinning departments. Technological advances indicate that a stage will shortly be reached when, in order to compete in the world's markets, the mills will have to face further heavy capital expenditure on the modernisation of their weaving departments. While some companies are relatively well found financially I fear that the financial burden involved in this further expenditure may be beyond the capacity of the majority of companies, at least immediately. I suggest, however, that the true national interest demands that means be found to enable mills to shoulder the further liabilities to which I have referred. This can only be done if the cost structure of the industry is such that it can operate efficiently at such a profit as will enable it to amortise not only existing debt but also the fresh debt which it will have to incur. In the case of your own Company, since the date of the Directors' Report, the Board has sanctioned further capital expenditure in the factory and it will be our policy to continue to do so as far as we can within the resources at our disposal. I cannot, however, conclude this statement without making it clear that the Company has suffered very severe losses since the month of May and this setback will undoubtedly result in a slowing down of the modernisation process. I and my colleagues, however, feel that this is not a time to stand still and with faith in our ultimate future we intend to equip ourselves to be as competitive as we can in the years ahead.

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

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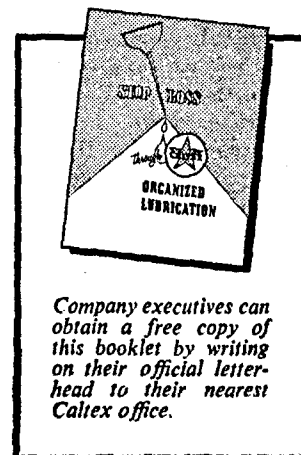
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The South Madras Electric Supply Corporation Limited

Tiruchirapalli

Speech of the Chairman, Mr K A P Visvanatham

The following is the Speech delivered by the Chairman, Mr K A P Visvanatham, at the Twentyfirst Annual General Meeting of The South Madras Electric Supply Corporation Limited, held at Tiruchirapalli on August 30, 1961:

Ladies and Gentlemen:

I HAVE great pleasure in welcoming you to this Twentyfirst Annual General Meeting of the Company.

I believe you have studied the Directors' Report and the Balance Sheet and Accounts which have been in your hand for some time. I shall take these documents as read with your leave. I shall invite your comments on them later.

The capital expenditure during this year on rural and urban extensions amounted to Rs. 17.46 lacs as against an expenditure of Rs. 10.35 lacs incurred in the previous year. You will find the progress is satisfactory in spite of the difficulties of getting materials like posts, hardware and cement for the extensions.

Government Loan

The Government of Madras had sanctioned a loan of Rs. 12 lacs for rural electrification schemes of which we were able to draw a sum of Rs. 9,97,860 only due to certain procedural difficulties connected with capital issues. The balance of Rs. 2,02,140 is expected to be received this year. We have also applied to the Government of Madras for a loan to cover schemes estimated to cost over Rs. 45 lacs. We are hoping to get about Rs. 20 lacs to take up schemes specified by the Government as it is understood that a larger allocation is proposed to be made this year for financial assistance to licensees. The demand for electric power supply is ever increasing and there is therefore no dearth for work. We have drawn up a programme to take up works amounting to Rs. 20 to 25 lacs a year having regard to availability of materials

and power supply from the Electricity Board's Power Generating plants and I believe this will be realistic.

The great flood havoc which seriously affected the agricultural and domestic economy of the Tiruchirapalli and Tanjore Districts, fortunately left us with light damages. The villages Ayyampalayam, Amur, Gunaseelam, Peramur, Evur, Kodunthurai and Thinnakkonam in the Tiruchirapalli district were without supply for about a week and the villages of Palamaneri, Tirukkattupalli, Budalur, and Sengipatti in Tanjore district were affected for a day. Supply was promptly restored by the ceaseless and indefatigable energy of the staff, with the least possible delay.

Sri H. K. Ramaswami, Director of the Managing Agency House and Ex-officio Director of this Company had been abroad between April and July and among other things he has been examining possibility of securing reputed foreign collaboration for switch gear and electrical domestic equipment manufacture. Though no concrete proposals have been secured it is likely that in course of time the company may be in a position to suggest to you a diversification of its activities, by entering into manufacture as the Directors believe that as a long range policy it would be the right thing to do.

I would like to draw your special attention to the reserve of Rs. 1,26,000 created on the basis of the notional difference in income-tax levels prevailing now and previously. The Federation of Electricity Undertakings is striving to get this money available to us either for dividends or for augmenting our Capital sources. It may take sometime to have this settled and I hope the Government's decision will be favourable to you. I may also add that the Federation has been actively trying to secure modification to the VI Schedule to the Electricity Supply Act so as to enable undertakings to pay

more attractive dividends and thus attract capital to this industry which is necessary if the power development plans envisaged in the Third Plan are to succeed.

Satisfactory Power Supply Position

Power supply position was satisfactory except for a short-period of restriction due to low water conditions. A 50% cut consumption of all H. T. and L. T. industrial consumers excepting rice mills and cement factories and essential services was ordered to be enforced by the Government with effect from 16-5-61 and new connections for industrial or agricultural purposes were also ordered to be stopped with effect from that date. But due to improved conditions the cut was reduced from 50 to 25% from 27-5-1961 and it was completely relaxed with effect from 1-6-1961 owing to the onset of the monsoon. Also restrictions on temporary supplies, etc. and on connecting up of new services was lifted from that date. Though this had no effect on our revenue for that month it had caused some inconvenience to our consumers which is beyond our control.

The revenue earnings this year has nearly touched a Crore and we have been able to maintain the usual 9% dividend on equity shares subject to tax. As regards dividend on Preference Shares an extra 30% over and above the stipulated dividend will be paid as required under Law. The gross dividend works out to 7.15% in terms of the Preference Shares Regulation Act, 1960.

The staff relations continued to be very cordial.

I am glad to inform you that the Central Government have decided to establish a Regional Engineering College in Tiruchi with a strength of 250 students to start with. The college is expected to function from the next academic year. In view of this, the proposal to start a private college in Tiruchi as indicated in my last year's speech is dropped.

However, the Seshasayee Institute of Technology is being carefully nursed to grow in its stature and to keep its pride of place among polytechnics in the State—a distinction it has achieved. The Government have sanctioned a larger intake of students, thus providing for 180 students as against 120 hitherto admitted. A junior polytechnic to train middle school boys as skilled craftsmen is also sanctioned and this is now under implementation.

New Projects

I have also pleasure in informing you that the Central Government have decided to locate one of the heavy electrical industries in Tiruchirapalli, near Tiruverumbur and there is also a move to establish a Steel Rolling Mill near Ariamangalam.

It is thus gratifying to note that the industrial development of this district is growing rapidly and we

hope to play our part in this achievement.

I now move that the Directors' Report and Audited Balance Sheet as on 31-3-1961 and the Profit & Loss Account for the year ended 31-3-1961 be approved and adopted.

N.B. The above does not purport to be the report of the Proceedings of the 21st Annual General Meeting of the Company held on 30th August, 1961.

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Around Bombay Markets

Cotton Policy for New Season

Thursday, Morning

NEW DELHI'S cotton policy for the 1961-62 season will be widely welcomed as it incorporates almost all the suggestions made from time to time by various trade bodies, agricultural associations, organisations representing the industry and the State Governments. The system of compulsory survey, which had caused considerable avoidable inconvenience and hardship to the trade in the previous season, has been done away with. Though distribution control has been retained, the release of a liberal indigenous cotton quota to the extent of 50 per cent of the mills' total consumption of Indian and foreign cotton stapling 1" and below will not in any way affect the smooth marketing of the crop. And distribution control would be rendered completely unnecessary if the new crop turns out to be quite a normal one. A clear picture of the crop will emerge only after the end of October.

The Government had announced the increase in the floor price of Jarilla fine 25/32" from Rs 139 to Rs 168.57 per quintal (that is, from Rs 495 to Rs 600 per candy of 784 lbs.) on 17th June. The floor prices of all varieties have been increased in line with the rise in the price of Jarilla fine 25/32". A uniform premium of Rs 14 per quintal (about Rs 50 per candy) has been provided for certain cottons which as certified to have been grown in areas reserved by the Agricultural Department for the purpose of procuring pure seed for sowing and if the crop has been duly rouged by removing off type plants. Certain upward adjustments have been made in the basic ceiling prices of Kalyan and Westerns. Appropriate changes have been made in the grouping of certain varieties and in the differentials. The name Vijay has been substituted by Digvijay and Ankleshwar has been abolished. The division of Laxmi, Jaydhar and Gaorani into A and B has been abolished. Oomra Deshi, CP 1 and CP 2 and Central India have now been grouped into one category; formerly, they were classified separately. Vidarbha and Madhya Pradesh

197/3 are also placed under one group. For the first time, floor prices have been fixed for Dholle-ras, Pratap, C.P. 1 and C.P. 2, Central India, Bengal Deshi, Oomra Deshi, Mathias and Mungari. The fixing of minimum prices for exportable varieties rectifies the anomaly of certain varieties having no floors. The basic grade for Bengal Deshi has been changed from fully good to fine and Karunganni's basic staple has been raised from 26/32" to 27/32".

Deshi Crop

The trade has every reason to feel happy over the policy for the 1961-62 season and all that it now needs is the release of a sizable export quota of Deshi cotton. The Government made a complete mess of export business last season and it would be reasonable to expect that the authorities would avoid the mistakes they committed in 1960-61. Fortunately the outlook for Deshi crop this season is quite encouraging. Few observers place the crop below 4.5 lakh bales against 3.75 lakh bales in the previous season. In view of the bright crop prospects, Bengal Deshi prices are already quoted considerably lower than in the previous season. Arrivals of Deshi crop are likely to gather force after a fortnight or so. The picture of the overall crop is not yet clear. The weeks that lie ahead are crucial for the crop because it is in this period that calculations about the crop are generally upset. Most observers are of the view that weather conditions this time have not been as ideal as in the previous season and that on present indications the crop might turn out to be just around 50 lakh bales as against 53.75 lakh bales in 1960-61.

Dull conditions prevailed in the spot cotton market throughout last week. The announcement of a quota for indigenous cotton has not caused any excitement in the market, which is scarcely surprising. Mills are already carrying with them stocks which can last them for over 4 months and after two months the new crop movement will be in full swing. The outlook for the new crop is considered to be fairly satis-

factory at present. And what is more, the trade too is carrying sizable stocks varyingly estimated between 3.5 lakh bales and 4.5 lakh bales. These factors explain the quiet tendency in spot and futures prices. Jarilla March which had risen from Rs 596.50 to Rs 599 after the announcement of the new policy receded later to Rs 594.50 on scattered selling and lack of follow-up support at higher levels. Wednesday closing price of Rs 595.75 showed a fractional loss over the week. Trading in futures continues to be marked by small turnover and narrow fluctuations. Speculators are reluctant to extend large commitments either side until they are able to form a clear idea of the crop.

Oilseeds

Down with a Bang

OILSEEDS futures which had been moving irregularly lower for quite some time came down almost with a bang last week. Groundnut January fell from Rs 214.62 to Rs 207.75, groundnut oil January from Rs 17.62 to Rs 16.90 (per 10 kg.), castor March from Rs 167.87 to Rs 164.12 and linseed March from Rs 37.37 to Rs 36.25 (per 50 kg.). Cottonseed January eased from Rs 91.50 to Rs 90. On 7th July when trading in new crop contracts was commenced groundnut were quoted at Rs 225, groundnut oil Rs 19.40, castor at Rs 178.87, linseed at Rs 38.31 and cottonseed at Rs 93.75. The firm start reflect the tight spot position, especially in groundnut. But with the weather news continuing to be encouraging, the price trend began to be moulded by ideas of prospective supplies. Disappointing export performance also affected market psychology. Forecasts of a record groundnut crop have unnerved stockholders and scared prospective buyers with the result that spot prices have simply tumbled. Of course, despite the recent steep fall, groundnut prices are historically still on the high side. In 1961 groundnut prices had risen to all-time high levels. The decline in prices should therefore be welcomed. But it is doubtful whether the downward trend in prices

will proceed far enough to bring Indian prices to world parity and thereby promote exports. The disparity between Indian and world prices is still very wide and it is unlikely to be set right by natural forces.

Exporters Inactive

Export business put through last week consisted only of groundnut extractions. Though business was said to be fairly large, prices realised were slightly lower than in recent weeks. The U K quotation for September shipment was mentioned around £30.5, October position was quoted 5 shilling lower and October-December shipment fetched £29.5. Locally also prices showed an easier tendency in sympathy with the pronounced weakness in groundnut and groundnut oil. Linseed cake continued to be neglected and overseas interest in cottonseed cake was also reported to be very poor. Hardly any important business was reported in castor oil and few shippers seemed hopeful of revival of export business. Castor oil BSS, afloat was said to have been offered around £125/126. Shipments of castor oil from Bombay upto the end of August total 19,269 against 50,095 in the whole of 1960.

The performance of the maturing September contract was no better than that of new crop contracts. Castor September declined from Rs 169.12 to Rs 165.12, cottonseed from Rs 93.25 to Rs 90.25 and linseed September from Rs 39.31 to Rs 38.25. The decline occurred despite small tenders which total a mere 100 candies in castor, 75 tons in linseed and 1100 candies in cottonseed. Tenders might not be heavy if prices continue to drift lower. Bears are switching over to new crop contracts.

Stock Exchange

Still Unsettled

DALAL STREET tried to push its way up last week but could not keep its head high for long. Near the week-end it stumbled again and Wednesday's sharp decline took the market fairly close to its previous week's low. Vyapar's equity share index which had risen from 134.29 on 29th August to 139.10 on 14th September was down again at 135.21 on 6th September. At its Wednesday's closing of 136.17 the index showed a small rise of 0.41 over the week. The market's per-

formance might not have looked so bad but for the pronounced weakness in Hindustan Motor, Indian Iron and Tata Steel which sought new low levels in the current downward move. Hindustan Motor not only broke through its January low of Rs 18.68 but came very close to its last September bottom of Rs 17.52.

The international situation is tense and the situation in the Punjab is also not free from anxiety. But the despondency on the stock market is due less to political uncertainties than to the continued powerful bear grip. A few prominent bears are known to have built huge positions and they are able to call the tune. That is why the market has been unable to record any worthwhile rally since it started declining from about the beginning of June. And what is more, equity prices have continued to decline despite fairly encouraging corporate news. A correction of the impressive rise between January and June was necessary but the corrective phase has now gone far enough to call a halt. When the turn might come, is difficult to say.

Trading sentiment last week was in no small measure disturbed by the chairman, Shri Biren Mookerjee's observations at the Indian Iron and Steel Company's annual meeting. There was no prospect of any improvement in the raw material situation in the foreseeable future, said Shri Mookerjee. The chairman is also reported to have remarked that an increase in the retention price did not make any change in the company's profits. But why not? Retention prices do

affect company's profits. Shri Mookerjee discounted chances of a bonus issue but he did not rule out the possibility of a right issue. The stock market is anxiously looking forward to what the chairman of the Tata Iron and Steel Company has to tell the shareholders' annual meeting on 7th September. His observations could have a significant bearing on the general tone of the market. The stock market is even more concerned about the outcome of the meeting between the Finance Minister and the Presidents of various stock exchanges on 9th September. The meeting has been convened to discuss measures to curb unhealthy speculation. Informed sources think that the Government is unlikely to take any legal steps to check excessive speculation unless it is driven to take this course of action by the attitude of the market authorities.

Bullion

Prices Recede

BULLION prices suffered a sizable setback last week. Silver Bhadrava delivery was marked down from Rs 204.90 to Rs 202.60* but later rallied to wind up the week at Rs 203.20. Gold Bhadrava eased gradually from Rs 124.50 to Rs 123.45. Apart from the rather slow off-take and the satisfactory pace of arrivals, sentiment last week was affected by the sale of 124 bars of silver by the Reserve Bank of India which led to all sorts of conjectures in the market, both in regard to the quantity that the Bank might offer for sale and the objective behind it. Informed market men said that the silver

Important Price Movements in Shares

	1960			1961		
	Highs	Subsequent	Percentage	Highs	Recent	Percentage
	Rs nP	Lows	Decline	Rs nP	Lows	Decline
		Rs nP			Rs nP	
Bombay Dyeing	72.70	58.50	25.0	71.90	64.60	9.9
Century	544.00	443.00	18.6	740.00	643.00	13.1
Kohinoor	372.00	259.50	30.1	327.00	277.00	16.2
Standard	2100.00	957.00	54.4	1680.00	1100.00	34.5
Svadeshi	286.00	221.00	22.7	287.50	243.50	15.3
Indian Iron	26.55	22.80	14.1	28.70	24.56	14.4
Tata Steel	164.50	138.00	16.1	167.00	148.25	11.2
A. C. C	152.50	137.50	9.8	168.50	156.25	7.3
Premier Auto	197.00	147.00	25.4	186.50	151.50	18.8
Hindustan Motors	23.64	17.52	25.8	23.68	17.68	25.2
Bombay Burmah	658.00	539.50	18.0	666.50	571.00	14.2
National Rayon	617.00	437.00	29.2	591.00	507.00	14.2
Tata Chemicals	22.04	15.52	29.6	21.12	16.24	23.1
Tata Engineering	349.00	252.00	29.5	390.00	325.50	16.5
Tata Oil	89.00	69.50	21.9	86.80	67.50	22.2
Volta	307.00	240.00	21.8	319.00	271.50	14.9
Scindia	17.40	13.32	23.5	16.16	12.00	25.7

offered by the Reserve Bank was the balance or "Bhusa" of refined silver accumulated with the Bank over a period of time and that the sale on this account was unlikely to be large. That perhaps explains the week-end rally from Rs 202.60 to Rs 203.25. Speculative interest last week centered mainly on silver. With off-take continuing to be slack, fear of further sales by the Re-

serve Bank is likely to check any marked improvement in prices in the near future. Spot gold which was quoted at a premium of 15 nP over the Bhadrava delivery rate in the previous week was available at a discount of 35 nP last week-end. The discount on spot silver varied between 60 nP and 70 nP during the week.

Company Notes

MUKAND IRON FORGES AHEAD

THE shareholders of Mukand Iron and Steel Co, Ltd have every reason to feel gratified at the capital appreciation in the value of their holdings in recent years, the old ordinary shares having more than doubled themselves between March 1959 and now. To a large extent this has been sustained by the steady improvement in the company's working, which gathered momentum during the year ended March 31 1961. The gross profit of the company, which had risen from Rs 21 lakhs in 1957-58 to Rs 40.43 lakh in 1959-60, has jumped up to Rs 68.63 lakhs in 1960-61. It is significant to note that the increase in profit during 1960-61 alone is more than the cumulative rise in the previous two years.

The sharp rise in earnings during the year under review has been enabled by the expansion in output of steel castings from 4,284 tonnes in 1959-60 to 5,624 tonnes (or by 31 per cent) and of rolled products from 46,289 tonnes to 69,552 tonnes or by 50 per cent. Following this, the total sales show a rise of Rs 215 lakhs to Rs 637 lakhs or 52.5 per cent. The ratio of gross profit to sales has gone up from 9.57 per cent to 10.76 per cent. The managing agency commission is higher at Rs 5.72 lakhs compared to Rs 3.51 lakhs, depreciation provision absorbs Rs 9.37 lakhs against Rs 5.30 lakhs and tax liability has risen from Rs 13.25 lakhs to Rs 25 lakhs.

The net profit at Rs 28.18 lakhs represents an increase of Rs 9.93 lakhs over the year. In consonance with the improvement in profit, the allocation to the general reserve has been stepped up from Rs 8 lakhs to Rs 10 lakhs, while the transfer to the development rebate reserve

has been reduced slightly from Rs 2.50 lakhs to Rs 1.70 lakhs. A sum of Rs 6.50 lakhs has been provided from gratuity, which had received nothing last year.

Dividend

The dividend on ordinary shares is proposed to be maintained at 12 per cent, subject to tax, though on a slightly higher capital. The distribution on the deferred shares has, however, been raised from 168.6 per cent to 217.8 per cent. While the total dividend distribution (including that on the preference shares) takes up Rs 10.40 lakhs or 15.15 per cent of the gross profit earned, the amount ploughed back (including depreciation, but excluding allocation to gratuity) is as much as Rs 21.43 lakhs or 32.1 per cent of it.

Such careful husbanding of resources over a number of years has enabled the company to strengthen its financial position. The entire preference capital of Rs 10 lakhs has been redeemed during the year under review, though the amount is remaining undistributed to the shareholders at the end of the year and is shown outstanding under current liabilities. This has brought down the total paid-up capital from Rs 71.43 lakhs to Rs 61.43 lakhs. At the same time, the reserves and surplus have been raised from Rs 45.33 lakhs to Rs 57 lakhs and the borrowings (all secured) have been reduced from Rs 47.72 lakhs to Rs 15.32 lakhs. The current liabilities and provisions have, however, gone up from Rs 39.06 lakhs to Rs 84.60 lakhs.

There has been an addition of Rs 18.75 lakhs to the fixed assets during the year under review. The total cost thereof at Rs 138.14 lakhs

has been written down to Rs 87.71 lakhs. The investments and current assets at Rs 130.64 lakhs more than adequately cover the borrowings and current liabilities. Of the company's total investment of Rs 10.61 lakhs, the investment in the subsidiary, the Batala Engineering Co, Ltd, accounts for Rs 10.30 lakhs.

The supply of billets was easy during the year under review and this contributed to the improved results. The directors point out that, had supplies been better, the company could have rolled half as much more. Despite the Government's assurance that billets will be allocated to re-rolling mills during the current year on the basis of their performance in 1960-61, the supplies so far appear to be far from encouraging.

Outlook

Nevertheless, the outlook for the company is fairly promising, if the expansion programmes go through well. The company has commenced regular supplies of centre buffer couplers to the railways and the progress in the manufacture of roller-bearing axle boxes, automobile components and castings for sugar machinery manufacturers has been good. Orders for steel castings are said to be quite satisfactory.

Now that the dispute regarding acquisition of land at Kalwa, Thana, has been resolved, the company has commenced preliminary work at the factory site for the expansion programme, under which the company will specialise in production of wire rods of various qualities. The wire rod mill is in addition to the original scheme of raising substantially the steel melting capacity. A three-year programme for increasing the capacity of the foundry in two stages has been drawn out. In the first stage, which will be spread over two years, it will be raised to 750 tonnes and in the second stage to 1,000 tonnes per month. An important factor which will help the company to go ahead with its plans smoothly, provided there are no other adverse factors, is the five-year industrial truce with the labour under which the employees are assured of increased wages and other benefits with effect from October 1, 1960, though this will involve additional monetary burden on the company.

ORISSA CEMENT'S PROFIT CROSSES ONE-CRORE MARK

THE increase in dividend on ordinary shares from 11 per cent to 15 per cent, subject to tax, for the year ended December 31, 1960 does not fully restore the cut made in the previous year, for the distribution of 15 per cent for 1958 was on a tax-free basis. The net dividend for 1960, even after taking into account the tax-free element under Section 15-C of the Income-Tax Act is still far behind the 1958 level. Nevertheless, the larger distribution for the year under review compared to 1959 is by itself gratifying and has come out of a substantially higher profit earned out of increased production.

The gross profit has crossed the one-crore mark for the first time in the company's history to stand at Rs 116.47 lakhs, representing an increase of Rs 36.15 lakhs over the previous year. The sales have jumped up from Rs 270.10 lakhs to Rs 426.96 lakhs, but the ratio of gross profit to sales is lower at 27.1 per cent compared to 30 per cent in 1959.

The managing agents' remuneration amounts to Rs 6.93 lakhs, against Rs 5.06 lakhs, depreciation Rs 38.65 lakhs (Rs 37.69 lakhs) and taxation Rs 28.50 lakhs (Rs 9.55 lakhs). These essential allocations leave a net profit of Rs 42.39 lakhs, which represents an increase of Rs 14.67 lakhs over the year. The earning per share works out at Rs 1.78 per share after providing for preference dividend liability and provides full cover for the proposed dividend of Rs 1.50 per share, subject to tax.

Dividend

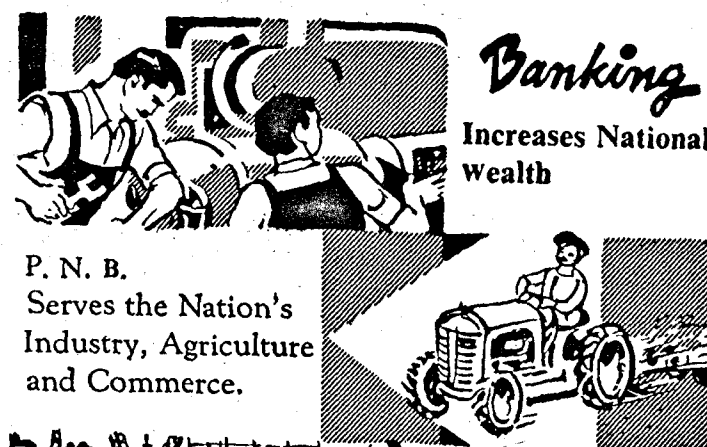
Out of the gross dividend of Rs 1.50 per share, 35 p per share will be free of tax under Section 15-C of the Income-Tax Act and Rs 1.15 will be subject to tax.

The transfer to the development rebate reserve has been reduced from Rs 10.47 lakhs to Rs 3.42 lakhs, while the general reserve has been strengthened by Rs 10 lakhs against nil. The gratuity reserve gets Rs 59,000 against Rs 14,000. The balance available for distribution at Rs 28.38 lakhs is not, however, sufficient to cover the dividends on the ordinary and preference shares amounting to Rs 36.63 lakhs and the surplus of Rs 8.77 lakhs.

brought in from 1959 has had to be drawn on. The balance left to be carried forward is Rs 52,158. The total amount retained in business thus amounts to Rs 52.59 lakhs or over 45 per cent of the gross profit.

The production and despatches of cement and refractories recorded a substantial increase, with the exception of fireclay bricks which declined for want of sufficient orders. Despite the rise in production of cement, the company has not been able to attain the annual rated capacity. If the present trend of off-take in fireclay refractories continues, it is feared that this section may not also be worked to full capacity.

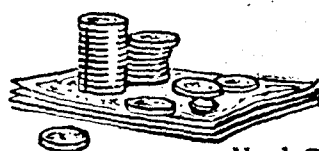
The company is, however, going ahead with its expansion programme of doubling the capacity of burnt basic refractories from 19,000 tons to 38,000 tons per annum. It has also been licensed to manufacture 10,000 tons of chemically bonded basic refractories per annum. In this programme, which will cost Rs 80 lakhs, the company will have the technical assistance and collaboration of Dr R P Hener, President of Essex Research Corporation and Vice-President of General Refractories Company of U S A, on royalty basis. The project will be financed from internal resources of the company and fresh borrowings. No fresh issue of capital is proposed for this purpose.



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Rohtas Industries Limited**Notice**

THE Twenty-eighth Annual General Meeting of the Shareholders of Rohtas Industries Ltd. will be held at the Registered Office of the Company at Dalmianagar on Saturday, the 30th September, 1961 at 11 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 March, 1961.
2. To declare dividends.
3. To elect a Director in place of Shri N. L. Poddar, who retires by rotation but, being eligible, offers himself for re-election.
4. To elect a Director in place of Shri E. R. Meyer, who retires under Clause 107 of the Company's Articles of Association but, being eligible, offers himself for re-election.
5. To appoint Auditors for the current year and to fix their remuneration. The retiring Auditors, Messrs. K. N. Gutgutia & Co., being eligible, offer themselves for re-appointment.
6. To consider and if thought fit, to pass with or without modification, the following resolution, which will be proposed as Special Resolution:—

"Resolved that pursuant to sub-sections (4) & (7) of Section 309 of the Companies Act, 1956, and subject to the provisions of Articles of Association of the Company, the members of the Company, hereby authorise payment to the Directors of the Company and each of the Directors be and is hereby authorised to continue to receive in respect of each of the five financial years of the Company upto and including the financial year ending on 31st March, 1966 a share in a commission of one per cent of the net profits of the Company

computed in the manner referred to in sub-section (1) of Section 198 of the said Act."

The Share Transfer Books and Members Register of the Company will remain closed from 26th September, 1961 to 30th September, 1961, both days inclusive.

By Order of the Board,
For Sahu Jain Ltd,
A. K. Jain

Managing Director,
Managing Agents.

Calcutta,
2nd September, 1961.

N. B. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself. Such proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.

Explanatory Statement for the Special Business as required under Section 173 of the Companies Act has been forwarded to the Members of the Company.

Rohtas Industries Limited

Regd. Office-Dalmianagar (Bihar)

THE Directors of Rohtas Industries Ltd. in today's Board Meeting have recommended to the forthcoming Annual General Meeting of the Company following dividends on Preference and Ordinary Shares, (subject to statutory deduction of tax) in respect of the financial year ended 31st March, 1961.

'A' Preference Shares —
Rs. 11/10 per share
'B' " " " " " "
Rs. 5/52 per share.
Ordinary Shares —
Rs. 1/-

The Share Transfer Books and Members Register will remain closed from 26th September, 1961 to 30th September, 1961, both days inclusive.

By Order of the Board,
For Rohtas Industries Ltd.
J. P. Saxena,
Secretary.

Calcutta,
30th Aug. 1961.

In this connection, a study of the financial position of the company is worthwhile. The paid-up capital of Rs 265 lakhs is supplemented by reserves and surplus aggregating Rs 77.87 lakhs. The outstanding borrowings amount to Rs 131.60 lakhs and the current liabilities Rs 183.87 lakhs. The gross block of the value of Rs 563.66 lakhs has been written down to Rs 339.58 lakhs, the depreciation provided so far being Rs 224.08 lakhs. Expenditure on construction in progress and machinery in transit amount to Rs 25.81 lakhs. The investment and other current assets aggregate Rs 292.96 lakhs.

CHEMICOAT LIMITED

THE excellent response from the public to the issue of shares of Chemicoat Limited is testified by the fact that the issue has been oversubscribed nearly 25 times. The Board of Directors of the Company, in consultation with the Bombay Stock Exchange authorities, has fixed the basis of allotment of the shares. Arrangements have been made, it is learnt, to post the letters of allotment from September 9. It is commendable that the Company has been able to complete this one rous task within a month of the issue of the shares.

Equity Investment by I F C

AN amendment to enable the International Finance Corporation to make equity investments has been approved by the Board of Governors of the Corporation. This amendment will not however, change the Corporation's policy of exercising control over, and not participating in, the management of any enterprise in which it invests. With the right to make equity investment as well as loans, the I F C will be able to meet better the varying needs of the private enterprise in developing countries, besides attracting private investors to participate in its investment to a greater degree. The amendment will also permit the I F C to assist directly in the growth of capital markets in developing countries by under-writing share issues pending their sale to the public. Thus, the power to make equity investments will substantially increase the scale of the I F C operations.

CURRENT STATISTICS

COAL PRODUCTION AND DESPATCHES

(Monthly average or calendar months)

('000 metric tons)

	Raisings	Despatches	Stock at Pit heads*
1961: May	4,614	4,240	—
Apr	4,673	4,249	5,423
Mar	5,524	4,308	5,567
Feb	5,225	3,896	4,808
Jan	5,137	4,191	3,886
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	3,702	3,556
Jun	4,208	3,749	3,578
May	4,421	3,663	3,546
Apr	4,453	3,808	3,272
Mar	4,434	3,818	3,117
Feb	4,365	3,583	3,018
Jan	4,182	3,664	2,739
1960	4,390	3,865	3,548
1959	3,892	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

* At or about the end of each period.

Source: Coal Controller, Ministry of Steel, Mines and Fuel, Government of India.

STOCKS OF CLOTH AND YARN

Cloth
(Bales of 1,500 yds each)

Yarn
(Bales of 400 lbs each)

	Sold	Unsold	Total	Unsold
1961: July	184,500	154,800	339,300	32,700
June	173,100	144,200	317,300	37,500
May	140,700	127,800	268,500	32,900
Apr	132,700	117,100	249,800	35,800
Mar	127,000	132,000	259,000	42,100
Feb	157,700	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	381,300	45,300
Oct	196,500	188,000	384,500	44,100
Sep	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
Apr	146,000	128,000	274,000	31,600
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
1959: Dec	155,700	118,000	273,700	21,100
June	195,000	204,000	399,000	47,400
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

BALANCE OF PAYMENTS DURING THE SECOND PLAN PERIOD

(Rs Crores)

	1956-57	1957-58	1958-59	1959-60 (Revised)	1960-61 (Preliminary)	Annual average Second Plan Actuals	Annual average First Plan Actuals
1 Imports c.i.f.							
(a) Private	812	696	504	508	592	622	543
(b) Government	287	537	525	416	496	452	183
Total Imports (a+b)	1099	1233	1029	924	1088	1074	726
2 Exports f.o.b.	635	594*	576	623	632	612	622
3 Trade balance	-464	-639	-453	-301	-456	-462	-104
4 Non-monetary gold movement (net)	—	—	—	+ 6	—	+ 1	—
5 Invisibles (net)							
Other than official donations and similar official assistance †	+111	+102	+83	+ 57	+ 33	+ 77	+ 51
6 Current account deficit excluding official donations	-353	-537	-370	-238	-423	-384	-224
7 Capital transactions other than assistance in 9 below	-36	-23*	-16	- 51	- 25	- 30	+ 24
8 Total Surplus (+)/Deficit (-)	-389	-560	-386	-289	-448	-414	-200
9 Foreign assistance including net drawings from the IMF	+168	+300	+344	+273	+389	+295	+160
10 Draft (-) on foreign exchange reserves	-221	-260	-42	- 16	- 59	-119	- 40

* Excludes transactions relating to the repatriation of lend-lease silver to the U S A valued Rs 74.4 crores.

† Excludes U S Embassy expenditure in India out of P L 480 counterpart funds.

Source: Reserve Bank of India, Bombay

Printed by A Fernandes at New Jack Printing Works Private Ltd., Globe Mills, Passage, off Delisle Road, Bombay 13, and published by him for Asian New Age Publishers Private Limited, 65, ...

BANKING RETURNS (Rs crores)				
Reserve Bank	Sept 1	Aug 25	Aug 4	Sept 2'60
1 Note circulation	1872.62	1877.39	1903.98	1795.33
2 Rupee coin	126.25	125.79	122.87	131.42
3 Deposits	332.25	345.67	354.28	311.72
(a) Central Govt	52.51	64.60	53.26	52.90
(b) Other Govts	19.83	19.93	18.83	46.68
(c) Banks	101.25	102.96	81.44	110.40
(d) Others	158.66	158.19	200.75	101.73
4 Foreign securities	116.86	116.86	116.86	123.01
5 Balance abroad	19.59	26.61	35.81	20.34
6 Rupee securities	1533.56	1533.55	1563.37	1431.66
7 Investments	275.43	284.51	289.50	247.64
8 Loans and advances to Govts	53.32	48.75	42.09	28.60
9 Other loans and advances	116.78	115.71	115.53	150.97
Scheduled Banks	Aug 25	Aug 18	July 28	Aug 26'60
1 Aggregate liabilities	1883.00	1869.12	1862.23	1971.96
2 Aggregate deposits (net)	1806.06	1794.50	1788.73	—
(a) Demand (net)	715.50	713.68	713.79	781.26*
(b) Time (net)	1090.55	1080.82	1074.94	1190.71†
3 Cash in hand	45.81	46.77	44.17	45.52
4 Balance with Reserve Bank	97.29	80.53	77.26	111.35
5 (3) + (4) as % of (1)	7.60	6.81	6.52	7.95
6 Borrowings from Reserve Bank	1.27	1.54	2.40	17.05
(a) Against usance bills and/or promissory notes	0.11	0.51	0.92	7.25
(b) Others	1.16	1.03	1.48	9.80
7 Advances	1072.19	1081.58	1084.74	955.20
(a) State Bank	225.38	231.71	236.72	187.57
(b) Others	846.81	849.87	848.02	767.63
8 Bills discounted	107.00	106.51	107.35	99.82
(a) Inland	44.67	43.40	43.59	47.91
(b) Foreign	151.67	149.91	150.94	147.73
(c) Total	13.07	13.28	13.97	11.92
(i) State Banks	138.60	156.63	136.97	135.81
(ii) Others	64.99	65.89	66.35	55.93
9 (7) + (8c) as % of (1)	64.99	65.89	66.35	55.93
10 Investment in Govt securities	598.31	585.85	577.82	745.88
(a) State Bank	252.28	241.28	236.75	387.27
(b) Others	346.03	344.57	341.07	358.61
11 (10) as % of (1)	31.77	31.34	31.03	37.82
Cheque clearance	198.19	176.84	215.71	170.80

* 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 cent per annum)

(Selected Scheduled Banks other than the State Bank)	Aug 25	Aug 18	July 28	Aug 26'60
Call Money from banks	2.00	2.14	2.96	3.50
Deposits:				
Seven days	3.00	3.00	3.00	2.95
Three months	—	—	—	3.50
Six months	3.75	3.75	3.75	3.49

Bombay Bullion

(Rs and nP)

	Sep 7	Aug 31	Aug 10	Sept 8,60
Gold (per 10 grams)				
Spot	123.45	124.55	122.15	115.67
Forward	123.65	124.40	122.30	115.72
Silver (per kilogram)				
Spot	202.70	204.10	202.50	194.03
Forward	203.25	204.80	203.40	194.14

INDEX NUMBER OF WHOLESALE PRICES

(Base : 1952-53=100)

	Week Ended	19-8-61	12-8-61	22-7-61	20-8-60
Food Articles	124.1	124.8	125.7	122.3	
Cereals	105.0	105.1	104.7	108.6	
Pulses	90.0	90.8	91.3	93.1	
Fruits & Vegetables	169.0	165.5	153.3	134.5	
Milk & Ghee	114.5	119.6	122.7	113.6	
Edible Oils	158.9	157.4	165.4	147.0	
Fish, Eggs & Meat	142.3	141.1	144.9	126.9	
Sugar & Gur	125.2	126.2	124.2	139.2	
Others	182.4	182.1	185.0	168.0	
Liquor & Tobacco	99.4	100.1	99.5	104.7	
Tobacco	95.8	96.6	95.9	103.0	
Fuel, Power, Light & Lubricants	121.5	121.5	121.6	119.7	
Industrial Raw Materials	142.8	146.1	154.3	135.9	
Fibres	132.4	144.1	157.0	132.9	
Oilseeds	163.6	160.2	168.1	145.8	
Minerals	94.8	94.8	95.2	98.2	
Others	126.7	127.0	126.8	125.2	
Manufactures	126.2	126.1	127.5	122.6	
Intermediate Products	140.3	140.5	141.9	130.9	
Finished Products	122.7	123.7	125.2	121.2	
Textiles	123.3	124.8	127.5	123.6	
Cotton	126.6	126.6	126.6	131.6	
Jute	117.3	123.5	134.0	114.7	
Woolen	123.1	123.1	123.1	110.1	
Silk & Rayon	118.0	118.0	119.1	101.2	
Metal Products	147.1	147.1	147.1	146.8	
Chemicals	112.0	112.0	110.4	104.2	
Oil cakes	145.1	145.9	146.4	137.1	
Machinery & Transport Equipment	112.8	112.8	112.8	111.5	
Others	120.9	120.9	120.8	116.0	
All Commodities	126.7	127.9	130.0	124.0	

FOREIGN TRADE

(Merchandise Value)

(Rs crores)

	Imports	Exports*	Balance of trade
1961: Apr-Jun	258.81	160.84	- 97.97
Jan-Mar	238.67	165.13	- 73.54
1960: Oct-Dec	216.56	187.44	- 29.12
Jul-Sep	231.43	158.12	- 73.31
Apr-Jun	281.83	145.39	-136.44
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, Ministry of Commerce and Industry, Government of India.

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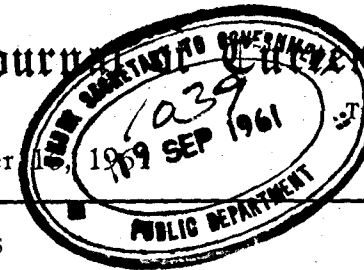
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The Economic Weekly

A Journal of Current Economic and Political Affairs

September 1961



FOURTEENTH YEAR OF PUBLICATION

Volume XIII No 37

Price 50 Naye Paise

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Nehru's Mixed Success

PANDIT NEHRU'S latest visits abroad have been described by a journalist as perhaps the most thrilling experience of his life. Whether they were that or not, it is certain that they took place under the least expected circumstances. When the Prime Minister left, after much understandable hesitation, for the Belgrade Summit of neutral powers, he could not have anticipated that the conference would be overshadowed by the mushroom cloud of a sudden nuclear blast by the Soviet Union. Equally, when he had first agreed to visit Moscow, nearly three months ago, he could not have guessed the urgent purpose the visit would come to acquire. Almost against his wish, and largely by accident, Pandit Nehru found himself dragged into the mainstream of contemporary history-in-the-making.

And, once there, let it be said he acquitted himself well. Only the most naive will doubt that in Pandit Nehru's absence, Belgrade would have been content to remain a platform for the expression of threadbare anti-colonialist sentiments and also to become, perhaps, the birthplace of a complicating "third force" fondly imagining itself as a simplifier of the world situation. Since colonialism is far from dead as yet (even if it is breathing its last breaths), it is both inevitable and necessary that it should continue to be condemned. But everything has its time and place; and it would have displayed a most woeful lack of balance on the part of the countries assembled in the Yugoslav capital if they had held to their unwritten agenda on this point without showing the predominant regard for the one and only thing which counted just then—the political fall-out from the Russian bomb.

It must be acknowledged to Pandit Nehru's credit that it was he, more than anyone else, who emphasised this point successfully on the awareness of the conference. The irony of it is that, instead of being grateful to him for that, many people have tried to interpret his role as something of a sinister attempt to "sidetrack" the conference from its main purpose (whatever that purpose is supposed to have been). Of course, he did no such thing. The Russian blast was not an invention of his own mind. It was a fact. And it was a fact which had immediately, and single-mindedly, to be faced. The Prime Minister of India helped the conference to do so.

It is legitimate to ask, however, why the Belgrade conference did not formally denounce the Russian test—especially since, as an individual, every statesman present was shocked by it. We may be sure, the impulse to do so must have occurred, and on second thoughts it was resisted. What those thoughts were can only be guessed as yet; but if the conference came to the conclusion, under the possible influence of Pandit Nehru, that a formal condemnation of the Soviet action—dastardly though it was—would reduce the capacity of the neutral countries to dissuade Mr Khrushchev from persisting in his ill-chosen path. It is significant and pertinent to note in this connection that, individually, almost every leader present at the talks did condemn the Soviet action. The conference as a whole must have been advisedly content to avoid the subject. To say that the manoeuvre did not succeed (since the

THE ECONOMIC WEEKLY

65, Apollo Street, Fort,
Bombay.

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Russians have followed up that first test with six others) is not to argue that the effort was either ill-advised or not worth making.

One can see, on the other hand in what mood of dejection Pandit Nehru must have gone forward to fulfil his long-standing commitment to visit Moscow. If the neutralists showed a sensitive concern for Russia's susceptibilities, it is plain that Russia had shown nothing of the sort in return. For some inexplicable reason, they chose the time of the Belgrade conference itself to break the moratorium on nuclear tests. If the neutralists took it as a pointed slight to themselves, it is more than understandable. The slight could not have been more pointed than this. What is more, even after Pandit Nehru's visits the tests have gone on. The great

and enthusiastic welcome accorded to him has in no way made the slightest difference to Russian policy. The fine words have buttered no parsnips.

In that very important sense, Pandit Nehru's mission to Moscow has been a failure. The Russian test was a matter of overriding importance at Belgrade, as the Indian Prime Minister helped to show. It cannot, therefore, have become suddenly less important now. If Pandit Nehru's efforts to persuade Belgrade to keep its intention rivetted on the test are to be counted as his success, then his inability to dissuade Mr Khrushchev from continuing the tests must be counted his failure. No doubt, it is being over-optimistic to expect that the Kremlin would have altered its policy on the tests merely in deference to Pandit

Nehru's wishes. But Pandit Nehru was present in Moscow as something more than himself. He represented, willingly or otherwise, the whole of the non-aligned world; and on their behalf he was entitled to expect at least a gesture of good intentions for the future.

Mr Khrushchev did not choose to make that gesture which is both personally and politically uncharacteristic and odd. What does his attitude signify? Has the Soviet Union perchance taken a decision to the effect that it is more important to hold the Communist bloc together than to heed neutralist opinion? Are Peking and Moscow's powerful 'China lobby' behind this? Or is it simply that the tests have been going on under some scientific compulsion? The answer is still in the mists of the unknown.

merce, Mr Campbell, laying stress on maintenance imports and the Vice-President of the Federation of Indian Chambers of Commerce and Industry, Shri Shriyans Prasad Jain, coming out in favour of development imports. Neither of the two speakers saw, however, the connection between both types of imports on the one hand and exports on the other.

In an integrated policy of foreign trade, imports of raw materials and intermediate goods for maintenance and of capital goods for development should be seen as instruments for expanding export earnings and thus facilitating further growth in the future. It must be admitted, however, that such a view of the foreign exchange problem would require recognition of the inter-relationship not merely between import and export policies but also between both these on the one hand and investment policies on the other. Though there are references in the Plan to the need for giving an export-orientation to the investment pattern, the problem of export promotion is still being considered primarily in *ad hoc* terms.

The announcement that the Government of India was seriously considering the introduction of a

scheme of compulsory exports which was made at the meeting of the Export Promotion Council was another expression of the *ad hoc* nature of the export promotion measures which are being considered in Government circles. This need not mean that compulsion need be entirely ruled out or that it might not even have some merits in the short run. The merits or demerits of compulsion even in the short run did in fact come in for some discussion at the meeting. It should have been more than clear, however, that such compulsion could provide no substitute for a properly planned long-term programme of export promotion. There was no evidence that this was recognised. The present rather dismal picture of Indian exports does no doubt induce pessimism about the export-prospects of the country for the future but the position really reflects the failure to tackle the problem on an organised basis. If adequate steps are taken to find new markets for new products, as Shri V Ramakrishna of Madras pointed out at the meeting, there is no reason why exports in the Third Plan should not reach Rs 5000 crores against the target of Rs 3700 crores envisaged in the Plan.

In this context, it is difficult to disagree with the view expressed by Shri K C Reddy that our efforts should always be directed towards the fulfilment of production targets, the creation of requisite surpluses for export at competitive prices and more active sales promotion based on sustained market research. The link between the need to ensure that maintenance imports are kept at a reasonable level and the efforts to fulfil production targets is obvious. Shri Shriyans Prasad Jain did well, however, to point out that under-utilisation of capacity does not always arise from inadequate provision of raw materials and intermediate goods. The shortages of fuel, transport and power also contribute to the under-utilisation of capacity. To overcome these shortages, development imports are necessary. There is also evidence to show that the solution of these problems is to a considerable extent a matter of efficient domestic organisation and proper management to which greater attention needs to be paid.

Organisation is in fact in many ways the crux of the matter once an integral view is taken of the problems of development, with trade problems placed in their proper setting. There is need for reorganising the structure of Indian foreign trade, though this neither begins nor ends with giving the State Trading Corporation a larger role to play. Improvements in organisation can repay dividends, however, not merely in the field of foreign trade but in other sectors of the economy as well. Further gains for the economy are, therefore, more likely to lie in this direction than in others. Whether in foreign trade or elsewhere, therefore, the country need to turn its attention to the improvements that could be brought about in the organisational framework. Apart from the need to integrate foreign trade policy into the whole theory of economic development, this need for improvement in organisation is the most important lesson which emerges from the deliberations of the Import and Export Advisory Councils.

Malignant Obsession

IF abstention from drink has any salutary effect either on man's power of thought or sense of discrimination, it was not particularly evident at the Prohibition get-togethers held at Delhi recently. Along with the meeting of the Central Prohibition Committee, there was also an All-India Convention of Prohibition Workers, both of which had a touch of the fool's paradise about them. Concerned more with the extension of their fad to new areas than with the consequences of their action so far and totally blind to the farcical failure of Prohibition everywhere, these humourless people bandied facts and figures of their own fabrication, revelled in a species of logic which perhaps only the self-deluded can understand and then evidently departed to their respective homes with much spiritual satisfaction.

Addressing the national bimbos of Prohibition workers, the high priest of the policy, Shri Morarji Desai, is reported to have declared that the evil of illicit distillation could be eradicated in a few years if total Prohibition was introduced all over the country. When it is a demonstrable fact, evident to all but the obsessed, that the alarming spread of illicit distillation is a direct consequence of the ban on drinks, it is surprising how any responsible leader could have made such an astounding statement. Any extension of Prohibition will mean the inevitable extension and expansion of the cottage industry of illicit distillation which thrives on the non-availability of the real stuff.

Another choice bit of profound thinking that the Finance Minister is reported to have delivered himself of was that Prohibition would be a real success if drinking was banned in Delhi, particularly among Government servants. One did not know that it was the tantalising thought of the Delhiwallah, particularly the Government servant, being free to drink that has been the chief source of instigation to the illicit distiller, bootlegger or subterranean drinker in the prohibited areas of the country!

But the cake must really go for Shri Morarji's third pronouncement that revenue was bound to go up in any State where Prohibition had been introduced as people would have more money to spend on other commodities which could be taxed. Earlier in this memorable performance before the Convention of Prohibition Workers, Shri Morarji himself had declared that 80 per cent of the population was in favour of Prohibition and it has been the persistent contention of advocates of Prohibition that only a minority of 10 to 15 per cent are accustomed to drink in this country and that they belong mostly to the poorer classes, whose salvation appears to be the central aim of the policy of Prohibition. Supposing that this erring tenth gives up drink; supposing further that it guards the money that it has thus saved against other temptations; and supposing still further that it patriotically expends these savings on select commodities, so that the State could tax them and thus increase its own revenue to the satisfaction of the Finance Minister—supposing all these conditions were fulfilled, what can be the magnitude of the increase in revenue to be expected? In actual fact, however, what a large section of the tenth has been doing far from conforms to the picture of abstemiousness and sobriety, leading to prosperity and domestic felicity, presented in Prohibition posters.

Has not the time come for Prohibition enthusiasts to declare frankly and unabashedly that Prohibition has grown to be a mania with them, and an indispensable condition of their continuance and success in public life? If their homage to a senseless cult gives them a sense of moral grandeur and, through it, a degree of self-assurance, let them by all means cling to their policy. But while granting this privilege to them, the least that the observant, thinking public has a right to ask of them is that they do not insult its intelligence by reading facts and figures and sense and logic into a malignant obsession.

Weekly Notes

Accra and Paris

REPORTS from Paris and Accra indicate the wide gulf that exists between Commonwealth views and European views on British entry into the Common Market. The Europeans, and the French in particular, are taking the view that British entry should be unconditional; they point out quite rightly that any concessions made to the Commonwealth will undermine the fundamental aims of the Treaty of Rome, and will certainly come in the way of the total integration of Europe. Besides, the Europeans continue to argue on the general international benefits of the E E C and tend to disregard the particular difficulties that countries like India will face if, rather when, Britain enters the E E C.

The Commonwealth Finance Ministers, on the other hand, are extremely worried about the immediate and final effects on their pattern of trade with Britain. The trouble is that they are so very dependent on their trade with Britain that none of them can afford to lose this valuable market. It is very interesting to read that, except for Canada which objects to British entry in principle, all other Finance Ministers have no objection provided their own interests are safeguarded. This attitude is in striking contrast to that of the Europeans who want Britain in principle to agree unconditionally, and maintain that concessions can be considered later.

The British are really in a most embarrassing position. They try to convince the Commonwealth that they will not join the Common Market without a variety of assurances, which irritates the Europeans; they try to convince the Europeans that basically they believe in European integration, which worries the Commonwealth. The unfortunate result of the British attitude is that both parties stiffen in their respective stands. If the British have decided to join the Common Market, they should make that absolutely clear to both the Europeans and the Commonwealth. It will be much easier for them to

obtain concessions from the Europeans once they join unconditionally. The present vacillations have created doubts in the minds of the Europeans and a hope in the Commonwealth that Britain may be persuaded not to join.

The Commonwealth attitude is not very helpful either. It is unfortunate that Shri Morarji Desai has categorically refused to accept associate membership at this stage. He has jumped to a conclusion that in some way the status of associate membership is inferior and smacks of colonialism; in reality, however, it is nothing more than a recognition of the economic dependence of certain nations on other, more developed, nations. In any case, this is certainly not the time to refuse such an offer off hand. It would be much better to wait until we know what kind of offers will be made. Besides, associate membership is one of the few escape clauses that Britain does have within the Treaty of Rome to enable her to help the Commonwealth. It would be foolish not to explore the avenues permitted under this Clause.

It is very desirable that the British should go along with the Europeans for the time being. The wisest strategy is to carry out Wellingtonian retreats against Napoleonic attacks. To go on insisting on concessions for the Commonwealth in principle is unwise. It would be better to wait until we know how much the Europeans are actually prepared to concede.

Port Paradip

THE inadequacy of port facilities for the export of iron ore from the East coast of India should strike anyone who glances at the programmes for the increase of such exports which are being drafted. The Intermediate Ports Development Committee estimated two years ago that iron ore exports would rise from about 2.8 million tons a year in 1959-60 to about 15 million tons in 1965-66. Contracts for export of over 13 million tons of ore in 1965-66 have already been drawn up; this suggests that

exports in that year may be even higher than the Committee's estimates. A substantial proportion, if not all, of these exports is bound to move through ports on the East coast, considering that the destination of a large part of these exports would be in the East.

Calcutta is, of course, to be ruled out for handling this large anticipated increase in iron ore exports; it is already too congested and faces siltage and other problems which will take quite some time to solve. In any case, Calcutta is likely to find its hands full with the exports of jute, tea and engineering industries during the next few years. Visakhapatnam has many advantages over Calcutta. It has already been decided that a substantial proportion of iron ore exports to Japan, which is one of India's most important customers, should flow through Visakhapatnam. This port cannot, however, provide sufficient facilities to absorb the entire increase expected during the next few years. The railway haul involved would also be longer for iron ore coming from certain parts of the country.

This is what justifies the decision to develop Paradip on the mouth of the Mahanadi as an intermediate port in the Third Plan. Like Kandla, Paradip has a bar at the entrance to the port, which is bound to be an important obstacle to the development of this port as a major port. The fact remains, however, that there is no other suitable port on the East coast between Calcutta and Visakhapatnam which could be developed. In the circumstances, the choice of Paradip was to be expected. Besides, the choice will also satisfy Orissa on whose coastline Paradip is situated.

The development of Paradip is not, however, a matter merely of creating the necessary facilities at the port itself. It is also a matter of developing the necessary communications between the port and the hinterland, particularly that part of it which is expected to provide the iron ores for export. Existing road

facilities will not be adequate to handle the volume and class of traffic envisaged. Development of railways would, therefore, be necessary. If there is to be any point to the decision to develop Paradip as an intermediate port, these facilities must be developed simultaneously with the creation of the necessary structures at the port itself. It, however, does not seem to have been realised that provision for a railway line is as important as work on building the port itself. If suitable programmes are not drawn up at an early stage, Paradip may in course of time provide another example of lack of coordination of projects.

Tea : Consumption and Export

THE problems of plantation industries like tea and coffee are complex and a proper understanding of them by the outsider is made difficult by the almost infinite variety and differences in quality of the produce. Naturally, therefore, one does not expect formal meetings between Central Ministers and plantation interests, like the Annual General Meeting of the United Planters' Association of South India on Monday last, to come to grips with real issues.

In his speech, the UPASI President, Shri H C Kothari, dwelt at some length on our declining tea exports. Our share in the world market, he pointed out, had declined from 41 per cent in 1958 to 36 per cent in 1960, reducing our export earnings from Rs 136 crores to Rs 121 crores. In view of the decline in exports, Shri Kothari saw "no real advantage" in planning to increase production by some 200 million lbs during the next five years, which is the target set in the Third Plan. Increase in production of this order would be justified only if internal consumption of tea was permitted to grow at a fast pace to compensate for the loss of export markets. This, however, is not the Government's policy and the excise duty on internally consumed tea was actually raised in the current year's budget with the specific purpose of restraining such consumption.

The UPASI President quoted chapter and verse of the recent FAO report on tea to show that an increase in Indian production of tea of 200 million lbs by 1965-66

would "spell disaster" to the world tea market and, in the absence of expansion of internal consumption, would lead to a "major crisis" in the Indian tea industry which would "rock the industry to its very foundations". Nevertheless, it is true that so far at least no such glut has been noticeable in the world market and world prices of tea have held remarkably steady. The prices earned by Indian teas have also been singularly satisfactory.

Whatever the future may hold in store, it is definitely not possible to rationalise the decline in our tea exports in the last few years by invoking the general state of the world market. It is more probable that the steady rise in internal demand may have caused the fall in exports. Significantly, internal consumption as a proportion of production increased from 20 per cent in 1956 to 40 per cent last year. The demand of internal operators has always strongly influenced prices at tea auctions and, in the last two or three years particularly, the pressure exerted by growing internal demand has had the effect of keeping the prices of Indian teas high. It is surprising, to say the least, that the UPASI President who had much to say about growing labour costs and the fiscal impositions on the industry as being responsible for the competitive weakness of Indian teas in world markets, did not even mention the growing internal demand as a relevant factor.

To achieve the Third Plan target of 710 million lbs of tea exports by 1965-66, a close watch over internal demand, therefore, seems eminently justified. With an annual increase in population of 2 per cent and an anticipated increase of 5 per cent in national income, the demand for an article of common, though not necessary, consumption like tea is bound to grow rapidly. Far from removing the existing curbs on internal consumption, it might become necessary to take further steps to ensure that internal demand does not cut into exports.

According to the UPASI President, it would be meaningless to increase tea production substantially over the next five years unless internal consumption is permitted to increase rapidly. What would be

more correct to say is that the investment in increasing tea production would not be justified unless a very substantial part of the increased production can be exported. For, it must not be forgotten, the tea industry's chief claim to any priority in the Plan is its position as an important foreign exchange earner. As an article of internal consumption, surely, tea should not rate a very high priority.

Wholly Procedural

THE problems that arise in connection with the administration of customs and excise duties are manifold, though few of them are concerned with questions of principle. It is not surprising, therefore, that procedural matters should have dominated the meeting of the Customs and Central Excise Advisory Council in New Delhi last week. The simplification of procedures and the elimination of procedural difficulties are, however, quite as important as the settling of matters of principle. Nowhere is this more evident than in the administration of the system of drawbacks on excise duties paid on goods exported from the country, whether these duties were paid on the finished products or on the raw materials and intermediate goods that went into the process of production.

Addressing the meeting of the Council, the Deputy Minister for Finance, Shri B R Bhagat, pointed out that the steadily growing list of items entitled to customs rebate on excise duty bore testimony to the Government's anxiety to promote exports. The principle of the matter having been conceded, his assurance that the Government was anxious to eliminate delays in disposing of refund and drawback claims was important. Since excise duties are in principle meant to be borne by the domestic consumer and should not increase the price of our goods in export markets, there is undoubtedly a strong case for removing all procedural difficulties in granting rebates and drawbacks. Shri Bhagat revealed that detailed procedures had been worked out for the grant of full excise refund on most commodities on which excise duties had been imposed in the last budget.

One of the other problems which was considered at the meeting of

the Council was that raised by Shri Shriyans Prasad Jain. The basis and procedure for fixing tariff values of various commodities is undoubtedly defective and any importer can provide examples of injustice resulting from the values fixed for the purposes of the levy of the customs duty. The example given by Shri Jain of the duty working out to 186.5 per cent of the c i f value of the imported goods would have been much more effective if he had indicated the normal rate of duty on the goods concerned. In any case, Shri Jain was justified in urging that the procedure in this connection should be reviewed. It is to be hoped that this matter will be looked into even though it will not contribute directly to the country's export promotion drive.

Probably one of the most important announcements that was made at the meeting was that the Bill to amend the Sea Customs Act would be introduced in the next session of Parliament. There is no doubt that the Act needs a complete overhaul. Any piecemeal attempt to modify it may only create further difficulties for both importers and exporters. The meeting of the Customs and Central Excise Advisory Council could not, unfortunately, discuss the proposed legislation.

Saving : How Much?

IN spite of the importance of the level of saving as a prime determinant of economic development, information about how much is saved, by whom and in what form is remarkably scanty. Apart from the estimates made by the Planning Commission, which have been used in the formulation of the Plans, till very recently the only estimates of saving available were those made by some individuals working on the subject. The Reserve Bank's estimate of saving for the period 1950-51 to 1957-58, published in the March 1960 issue of the Bank's *Bulletin*, was, therefore, a significant attempt to fill a major gap in our economic intelligence. The Reserve Bank's estimates were followed by a study of saving for the period 1948-49 to 1957-58 by the National Council of Applied Research, the results of which were published earlier this year. The Reserve Bank has now followed up its earlier study by a fresh one in which the estimates of saving are brought up

to 1958-59 and the earlier estimates are revised in the light of fresh data which have since become available and certain changes in the estimation procedures.

According to the Reserve Bank's latest estimates (see page 1480 of this issue), saving at constant (1948-49) prices increased from Rs 591 crores in 1950-51 to Rs 902 crores in 1958-59 or, as a proportion of national income, from 6.7 per cent to 7.7 per cent. The rate has fluctuated considerably from year to year : from 6.7 in 1950-51 it declined to 5.1 in the following year and then rose more or less steadily to a peak of 9.1 in 1955-56, after which it declined again. We are, however, warned that the year to year estimates may not be very reliable. So the period 1950-51 to 1958-59 has been divided into three sub-periods of three years each, since, it is felt, comparisons of saving-income ratios in these sub-periods are likely to be more meaningful than year to year comparisons. Even so, the aggregate saving-income rate increased from 5.9 in period I (1950-51 to 1952-53) to 7.3 in period II (1953-54 to 1955-56) but then it rose only insignificantly in period III (1956-57 to 1958-59) to 7.9. The marginal saving-income ratio actually declined from 19.1 per cent in period II to 14.2 in period III. This is explained as being due to the fact that in period III, representing the first three years of the Second Plan, large investments of a capital-intensive nature were made and in view of the long gestation period of such investments, they did not immediately lead to any rise in output. This, it is argued, had the effect of shifting the distribution of incomes in favour of wage and salary-earners and against profit-earners, as profits in the new projects could not have been very large during the preliminary phase of these projects. Since the marginal propensity to save out of wage and salary incomes is lower than that out of profit incomes, the result was to reduce the overall marginal rate of saving. The explanation, which appears superficially plausible, cannot however, be accepted as more than anything but a hunch until the presumed change in the pattern of the distribution of income is itself established.

... By Whom?

THE pattern of saving revealed by the study indicates that saving by the household sector rose steadily over the period 1950-51 to 1958-59, while that by the Government sector and the corporate sector declined over the period as a whole. Saving by the household sector, as a proportion of total saving, increased from 73 per cent in period I to 85 per cent in period II, but thereafter declined to 84 per cent in period III. Saving by the Government sector declined sharply from 22 per cent in period I to 10 per cent in period II and then rose slightly to 13 per cent in period III. Saving by the corporate sector remained unchanged at about 5 per cent of total saving between periods I and II, but declined to 4 per cent in period III. Over the period 1950-51 to 1958-59 as a whole, the average shares of saving by the household, the Government and the corporate sectors were 81 per cent, 14 per cent and 5 per cent, respectively.

The household sector has been broken down in the study to indicate saving by the rural household sector and the urban household sector separately. The results are interesting. The rural household sector saved 45 per cent of the total saving by the household sector as a whole in period I. In period II, however, its share dropped sharply to 30 per cent and in period III it further declined to 28 per cent. The urban household sector correspondingly increased its share from 55 per cent in period I to 70 per cent in period II and 72 per cent in period III. The sharp decline in the rural household sector's share in period II appears to square with the decline in agricultural prices during this period.

Of the total saving by the household sector during 1950-51 to 1958-59, 63 per cent was in the form of physical assets and 10 per cent in the form of provident fund contributions. The share of saving in the form of net claims on the Government sector, corporate and co-operative shares and securities, insurance policies, gold and currency holdings were 6.2 per cent, 4.4 per cent, 3.5 per cent, 3.4 per cent and 8.6 per cent respectively, while the share of saving in the form of

net bank deposits was no more than 1.1 per cent. It is interesting to note that the proportion of saving in the form of physical assets declined sharply from 83 per cent in period I to 69 per cent in period III. The share of saving in the form of corporate and co-operative shares, on the other hand, rose sharply from 3 per cent in period I to 7 per cent in period III. This appears to lend support to the findings of another study by the Reserve Bank that there has been some broadening of investment in shares in recent years, especially among the salary-earning classes.

To return to the average and marginal saving-income ratios indicated by the Reserve Bank's study, how do they compare with the estimates prepared by the National Council of Applied Economic Research? According to the latter estimates, the average saving-income ratio varied from roughly 6 per cent in the three-year period preceding the First Plan to 7 to 8 per cent during the First Plan period and 9 to 10 per cent during the first two years of the Second Plan. These estimates, it will be noticed, are somewhat higher than the Reserve Bank's estimates but this is probably explained by the fact that the Reserve Bank's estimates do not take account of the household sector's saving in the form of inventories in agriculture and trade, non-monetised investment and consumers' durables. If these items are taken into account and if the probable under-estimation of urban non-corporate investment is corrected, the authors of the study have themselves roughly estimated that the aggregate saving-income ratio may be about two percentage points higher than that estimated.

The Reserve Bank's and the NCAER's estimates of the marginal saving-income ratio, a concept which is more relevant for projection of saving, are, however, more irreconcilable. According to the Reserve Bank, the marginal saving-income ratio was 19 per cent in period II and 14 per cent in period III, while for the entire period 1950-51 to 1958-59 it was only 10 per cent. All these ratios are lower than the ratio of 20 per cent estimated by the NCAER. So large a difference cannot but be due to the fact that the concepts used in the two estimates are different. Unfortunately, however, the

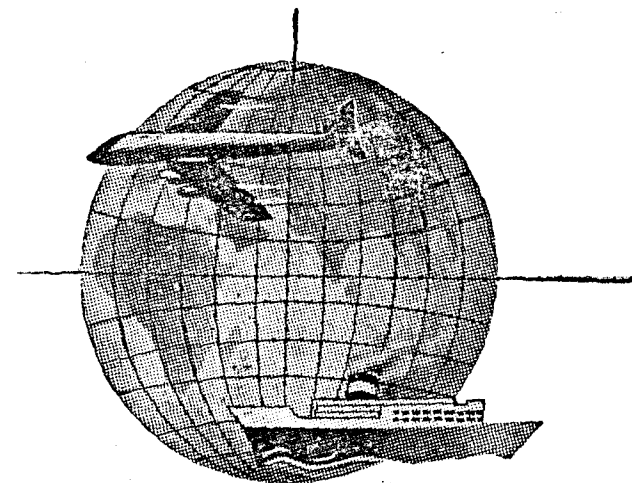
Reserve Bank has not published any details of how the marginal saving-income ratio has been estimated. In the absence of this information, it is not possible to compare the results of the Bank's study in this respect with those yielded by other investigations, like that of the NCAER, or to use the value of the marginal propensity to save derived to form an idea of the volume of saving in the future.

Very Much Alive

A Delhi Correspondent writes :

CONTRARY to reports in newspapers and the misgivings of Members of Parliament, expressed during the last session, that the report of the National Income Committee headed by Professor P C Mahalanobis may never see the light of day, sources close to the Committee assert that it is going ahead with its work, quietly but

purposely. The Committee, it is learnt, has so far held four meetings and prepared some 30 technical papers concerning various aspects of the problem of concentration of wealth and pattern of distribution of income. Much headway is said to have been made in the study of economic disparities between different sections of society. At the last meeting of the Committee in August, it was also decided to undertake a complete study of the problem of regional disparities. In its investigations, the Committee has been successful in enlisting the cooperation of some research institutions like the Indian Statistical Institute and the National Council of Applied Economic Research, besides a number of Government agencies and departments. The Committee, it is expected, may be able to formulate its first conclusions within a year from now.



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Letter from Punjab

Suba Agitation Fails to Enthuse People

GEORGE ORWELL was once obliged to shoot an elephant just to avoid looking a fool. And Master Tara Singh was obliged to undertake his fast just to avoid looking a coward. There is some substance in the view that this was the main reason which impelled him to take the drastic step. He had no choice, but to honour his rash and ill-timed and, unfortunately, much-advertised commitment.

Incapable, by nature, of any prolonged consistency on matters of principle, Master Tara Singh has, nevertheless, always displayed an uncanny ability to wriggle out of untenable position and still retain his following. For long accustomed, like the Duke of Plaza Toro, to leading "his regiment from behind", he had, till recently, played his cards eminently well. For rarely did he permit himself to be pushed into a shadow. But Sant Fateh Singh's fast changed all this and rendered Master Tara Singh's position among the Akalis untenable. To avoid dying politically, he had to risk dying physically! For, however much the Sant might deny it, he had eclipsed the Master — something that no other Akali leader had succeeded in doing for any length of time. Too jealous of his position, Master Tara Singh would not have been himself if he had not risked everything to out-Sant the Sant.

Political Blunders

Although there was perhaps no other way to regain his lost prestige among the Akalis, the timing of his fast could not have been more ill-advised. His Suba agitation had petered out. If the attainment of the Suba, and not his own political rehabilitation, had been his primary aim, he should have gone on his fast much earlier, when the 'tempo' of his movement was at a higher pitch — accepting that fasting as a political weapon in contemporary India can be justified. Both the decision to go on fast and the timing of the fast were major political blunders. But his extremist followers gradually but definitely succeeded in pushing him into a *cul-de-sac*. In this play of petty political ambitions the drama of Sikh politics immedi-

ately after the death of Maharaja Ranjit Singh is being re-enacted, with different means but identical purposes.

The only result of Master Tara Singh's fast has been to convince the people of his fortitude. He has undoubtedly suffered a great deal. But to what purpose? It is not much of a paradox to say that while the Arya Samaj opposes the Suba directly, the Master does so indirectly; unwittingly though, but definitely. For, his intentions become automatically suspect and the greater the vehemence with which he puts his case, the greater is the determination with which it is opposed. If the Suba is to come into being at any time, a secular organisation popular enough to draw its following from all sections of the people and not a communal-sectarian body like the Akalis is needed.

Language — a Mere Pretext

It is obvious enough that language is a mere pretext — on both sides. If the issue had been purely linguistic, it would have been solved long ago. The obvious starting point would be for both the communities to rise above petty considerations and show a spirit of give and take. While Punjabi Hindus can begin to own Punjabi as their language, the Sikhs can agree on their fast to the (optional) use of Devnagri as an alternative script for Punjabi.

It is often argued that Gurmukhi script is the only script suitable for Punjabi, since in this script alone can certain peculiar Punjabi sounds be conveyed. If this is so all the more reason why the Sikhs should consent to the use of Devnagri. If it is not suitable for the Punjabi language, it will automatically fall into disuse. As to the argument that Punjabi language will suffer changes, if Devnagri is adopted, it may be pointed out that only the dead languages do not change. Some of the classics of Punjabi literature were done in Persian script. A prominent contemporary Punjabi poet writes all his verses originally in the Persian script and then renders them into Gurmukhi script. If Persian is

all right, why not Devnagri? In any case, the Sikhs can continue using Gurmukhi.

But, unfortunately, it is a question neither of language nor of its script, but of politics. Master Tara Singh has often declared that he is not interested in the Punjabi language, but in a Sikh majority area, only to come out with a contradiction soon after. A well-known columnist once asked Master Tara Singh whether his stand on a particular issue was final. "Yes" the Sikh leader replied, "until I change my mind". As if to prove this, Master Tara Singh has been making rather quaint suggestions regarding arbitration. Of these the most bizarre was the one to refer the problem to the U N or to a former British Governor of Punjab. Not that he seriously meant that Sikhs were an alien minority in the country. Most likely he did not even think of the implications. For immediately, after making the suggestion he issued the clarification that the suggestion was merely 'academic'. His subsequent gyrations on the arbitration issue, as also the statement that he would not take even a one per cent risk in respect of arbitration are amazing, to say the least. While he himself does not want to take the slightest chance, he wants the government to assure him that it will accept the award of the arbitrators if it went in his favour.

General Indifference

Such statements are not likely to have enhanced his reputation for balanced judgment. What precisely he wants, in addition to getting his prestige restored among the Akalis is not clear. His latest claim that 90 per cent of the Punjabi people support his demand is at least 90 per cent delusion.

No one knows what will happen if the current fasting tournament runs its full course (And by the time this appears in print, it might have done so). But one might hazard a guess that whatever serious consequences it may have in the long run on the relations between the two communities, hardly any violent reaction might be feared in the near future.

Letter from Accra

Africa and the Common Market

WHENEVER the question of African Association with the Common Market is raised, it is made out that it will be purely economic in nature and not harmful in any way to the African countries. It is, in fact, difficult to prove any economic disadvantages because very little has been done to study the problem. The example of the Brazzaville group of African countries who have joined the Common Market is often cited in this respect. But behind all this smooth talk, designed to lull the suspicions of the newly-independent African countries, lurks a real danger to Africa. This danger springs not only from the inherent nature of the Common Market but also from the motives which move the European countries to woo the African countries.

The image of the Common Market as an economic union can hardly bear close scrutiny when its leading spokesmen are already beginning to talk of political objectives. On March 9, 1961, *Le Monde* quoted Hans Furler, the President of the E E C Assembly, as "stressing the importance of reaching a common foreign policy, taking into account the efforts of the U S and other partners in the Atlantic Alliance". Even more revealing is the speech delivered by Professor Hallstein in Harvard recently, wherein he said: "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.*" (Italics added). It need hardly be added as to what kind of politics Professor Hallstein and his colleagues are in.

European Intentions

Given the nature of political orientation in Europe and the dependence of African economies upon it, there can be hardly any doubt about the real intention of Europe in Africa. It is, as a report to the Assembly by Western European Union puts it, "to save Africa from the communist grasp; to protect it from imperialism of every kind eager to take over from declining colonialism;

to guarantee Africa against a return to tribal struggles; to establish the relations of good neighbours and a lasting and fruitful association . . . to ensure a reciprocal state of security for both Black Africa and European countries". (Document 198, page 6). The report also mentions the greater ambition of Germany which does not want to be restricted to Africa but has interests all over the world. As the leading partner in the Common Market, the Germans, the report says, ". . . believe that the task of Europe is world-wide and personally they feel that they are not incapable of taking on this task. They believe the propagation of western ideals and civilisation should not be restricted to Africa alone but extended throughout the world" (Document 198, page 6).

Economic Impact

The German capacity for fulfilling this mission is not to be doubted but whether the world feels gratified and grateful to Germany for so selflessly taking on this task is not so certain. What is certain is a new lease of life to colonialism in new forms if the Common Market grip tightens on Africa. The President of the Gaboon Republic, on a state visit to France, is reported to have said, "Gaboon is now independent, but between Gaboon and France nothing is changed, everything continues as before". The truth contained in this remark is greater than the President perhaps intended. After all, as *The Times* remarked recently, "the French colonial army remains stationed throughout most of these territories by treaty. The arrangement has advantages which are not immediately apparent to the eye. In many cases it ensures stability to what might otherwise be a shaky government". This may possibly explain why the Brazzaville countries have so hurriedly joined the Common Market as associated members. Moreover these countries signed the Treaty of Rome when they were still colonies.

A report on the impact of West European Integration on African Trade and Development, submitted to the third session of the Economic

Commission for Africa, throws the whole propaganda about economic advantages to Africa through association with the Common Market, aside. Its tentative conclusion is that so far the economic groups in Europe have not had any effect on African trade. But, it warns that once the whole system of tariffs and other measures is in full operation, it will have considerable effect on African economies through the change in production patterns. Moreover, the gain by African associated states will be often at the expense of those African states not associated with the Common Market. This will be particularly evident in those countries which produce temperate-zone agricultural commodities like cereals, sugar, wine, tobacco and citrus fruits. These commodities play an important role in the economy of North African countries.

The E E C tariff regime is unlikely to result in any substantial benefit to any of the associated African territories except the Congo and Ruanda Urundi. If anything, those African countries, which enjoy special concessions of a non-tariff nature with France and Italy, are likely to suffer because these arrangements will be abolished once the Common Market is fully established. In as much as the consumption pattern of certain commodities in the E E C countries is not based upon consumer preference but upon taxation policies, some of the associated countries may benefit from a shift in their favour. This may, however, require new and large scale investment to meet the demand and most of this kind of development will be of dubious advantage for the African countries in the long run. The danger also remains that many African countries will be tempted by the immediate advantage of tariff concessions to abandon efforts to achieve industrial development. On the all-important question of price stabilisation for primary commodities, there is little evidence to support, that, even the Common Market countries can enforce such a scheme without world-wide co-ordination in the matter. As such, the membership of the Common Market offer

specific advantage to Africa on this count. Lastly, a new division in Africa will be created between the associated and the non-associated countries, to the detriment of Africa as a whole.

Africa Has Little to Gain

The effect of the Common Market on industrial development in African countries is likely to be disastrous. Already the Western powers are biased in favour of agricultural development in Africa. Although they accept the necessity of diversifying African economies, they mean by diversification no more than growing two commercial crops where at present only one is grown. Industrialisation has so far meant investment in mines and other extractive industries. This will perpetuate a situation in which Africa remains a supplier of raw materials, if not agricultural raw materials, then of industrial raw materials. Needless to say, if the Common Market countries have any choice in the matter, even development of this nature will be completely in the hands of private enterprise, controlled, of course, by the industrial barons of Europe. Thus, planned investment or regulated industrialisation will become impossible within the associated African countries. This has been made clear in the statement of aims of the Development Fund set up by the Common Market countries for aid to Associated Territories, which says that aid, "can thus be used to develop the economic infra-structure on which private business and private investment depend". In other words, the Common Market will not only impose its own form of economic life on the Associated Territories but also exercise indirect pressure on other African countries to fall in line. Another effect of these policies will be to carry on the European quarrels in Africa, for it is idle to pretend that after the establishment of the Common Market there will be no differences among the European countries. On the contrary, once the preliminaries are over, the member states will struggle for supremacy over the others and, the Associated Territories will become partners to such disputes.

It is for these reasons, and not because of Black Racism — the charge commonly made against

them by some European countries — that certain African countries refuse to be classified as 'tame niggers', a term used by the British to describe in private the pro-Western African countries. The lead in this has been taken by Ghana, unpopular in the West for its progressive policies. President Nkrumah rightly considers the Common Market as an attempt to make permanent the division between the wealthy countries and the "hewers of wood and drawers of water". For him, as for many other Africans, the Rome Treaty among the

members of the Common Market signed in 1957, signified not an advance towards economic development, but an attempt to establish a collective imperialism of the West European countries. This is a portent, not only for Africa but for all the ex-colonial and under-developed countries. Where is the guarantee that if the European countries re-establish their economic hegemony over Africa, they will not attempt to do so elsewhere? Europe does protest too much the innocence of its political motives in Africa.

IDA Aid for Irrigation

THE International Development Association has extended a development credit equivalent to \$6 million to India for the expansion of tubewell irrigation in Uttar Pradesh. The credit is for a term of 50 years, interest-free. It is repayable in foreign exchange, amortization to begin, after a ten-year period of grace on November 1, 1971. Thereafter, 1 per cent per annum of the principal will be repayable for 10 years and 3 per cent will be repayable each year for the final 30 years. A service charge of 3/4 of 1 per cent per annum on the amounts withdrawn and outstanding will be made to meet IDA's administrative costs. This is the second IDA credit to India; one of \$60 million was granted in June 1961 to assist a programme of road construction and improvement.

The proceeds of the IDA credit will be lent by the Indian Govern-

ment to the State of Uttar Pradesh, whose Irrigation Department will build and operate the project. Each of the 800 new wells will irrigate about 400 acres. They will be drilled to an average depth of 300 to 400 feet and have an average capacity of 35,000 gallons per hour. The pumps will be driven by electric power to be supplied from the State grid system, and will discharge into about two miles of canal. The farmers themselves will provide ditches between the outlets of the Government canals and their farms.

The project's economic benefits are expected to be substantial: the increase in the gross annual value of farm production in the area is expected to be about double the total cost of the project. The charges to be paid by the water users will pay off the cost of the project over about 29 years.

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The Sociologist's Role

Victor S D'Souza

Sociology, Social Research and Social Problems in India : Edited by R N Saksena, Asia Publishing House, Bombay, 1961. Pp 192, Rs 13.

THIS volume consists of a collection of Presidential Addresses and some of the important papers read at various sessions of the All India Sociological Conference between 1955 and 1959. There are fifteen articles in all, including an introduction by the editor. Judging from the contents the title of the book would appear to be rather ambitious. It, in fact, provides only a broad label for the diverse topics included in the volume. All the same, the book does provide some insight into the condition of sociology in India. One major point that stands out prominently is the fact that the older Indian sociologists like Radhakamal Mukerjee and D P Mukerji do not seem to have succeeded in giving realistic lead to the younger students of the subject.

In his article on "A Philosophy of Social Science", Radhakamal Mukerjee shows concern over the "modern movement towards specialisation and compartmentalisation of knowledge". According to him only a synthetic social science can adequately deal with the multi-dimensional life of man. This is not a new viewpoint, for, the founding fathers of sociology—Comte, Spencer and Ward—also started with the same idea. But sociology began to make some headway only when sociologists gave up the ambitious synthetic view and settled down to the task of studying more specific questions. Synthetic social science is too distant a goal to achieve in one leap but has to be approached step by step.

A Lament

In his article entitled "Indian Sociology and Traditions", D P Mukerji urges that Indian sociologists should take more to theoretical studies than empirical ones and that they should rely more on "the method of insight that comes from active participation in the Indian system of social action" than on scientific techniques. He deplores the tendency of Indian scholars to "succumb to the lure of modern 'scientific' techniques imported from

outside as a part of technical aid and 'know how' without resistance and dignity". Obviously, he makes the mistake of treating theoretical and empirical studies as alternative approaches and of regarding insight and scientific techniques as mutually exclusive. As a matter of fact for a healthy growth of any discipline, theoretical and empirical investigations should proceed side by side, and insight and scientific techniques should complement each other. Scientific techniques do not lose their validity in India just because they are learnt from others. But, of course, caution has to be exercised in their application under different conditions.

Editor Saksena, in his article bearing the same title as the book, speaks in two minds. On the one hand he realises the importance of empirical studies for the advancement of sociology and emphasises their need in under-developed countries like India. On the other hand, he justifies the views of D P Mukerji on the ground that Indian sociologists cannot be objective because of their inheritance of a peculiar social philosophy. He holds that "spiritual values to us are not so much a form of mystic religion as a mode of life".

While he is on the whole appreciative of the modernistic trend in the current social research in the country, Saksena is apprehensive of the growing American influence. He questions the utility of the studies conducted by American scholars who use interpreters, spend brief periods in India and analyse their data in America. Instead of raising vague doubts it would have been more to the point if he had resorted to a critical appraisal of such American studies. It is often forgotten that American sociologists approach their problems with more refined theoretical and analytical frame works than we do.

It would thus appear that Indian sociologists have still to accomplish much to put their own house

in order. To blame the Indian economists for the dwindled stature of sociology as is done by the late D N Majumdar (p 33) may provide the Indian sociologists a much needed rationalisation for their inadequate achievements but will hardly do them credit.

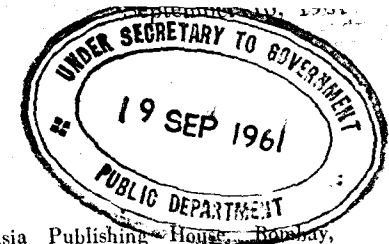
Practical Role

This is not to say, however, that the articles included in this book are not of value. On the contrary, the book contains many excellent studies which deserve the attention of social scientists. The articles already referred to are themselves valuable contributions.

In a paper entitled "Role of the Sociologists in India", D N Majumdar discusses the way in which the services of sociologists and social anthropologists could be made use of in the field of social reconstruction in India for the Community Development Programme and Tribal Welfare. K P Chattopadhyay's article, "On Definitions, Mainly of Family Types", in which he has refined and reformulated many of the definitions of family types, would be invaluable for those who are interested in the sociology of the family.

P H Prabhu, in his paper on "Social Psychology of Community Development", analyses the concept of Community Development from different angles—as a process, as a method, as a programme and as a movement. He emphasises that the Project authorities should "develop a sense of responsibility in the group itself by letting them do things for themselves". He has suggested that the study of Community Development should be included in the training programmes of the Universities as part of the courses in social sciences so that social scientists may take to community development with the warm interest that it deserves.

S C Dube with his vast experience of studying village communities discusses some of the problems and prospects of village studies.



India in his paper on "Indian Village Communities and Social Anthropology". Charles Freedman's paper entitled "Economic Status and Adoption of New Agricultural Home Practices: A Study of Three Villages" is a very good example of empirical investigations, although, as the writer himself has pointed out, the techniques that he has adopted would need further refinement.

Three writers — Nirmal Kumar Bose, M S A Rao and Ramkrishna Mukherjee — have dealt with the important topic of caste in India. A notable feature in these studies is that unlike most writers on caste, the authors in these cases have used quantifying and objective techniques in their analyses. In this respect the study of Ramkrishna Mukherjee on "Caste and Economic Structure in Present Times" is particularly noteworthy.

Relevance of Other Disciplines

Besides the articles of sociologists and social anthropologists, the book also contains two articles by writers from other disciplines. C Radhakrishna Rao, a statistician, has contributed a paper entitled "Quantitative Studies in Sociology: Need for Increased Use in India". There is no gainsaying the fact that Indian sociologists need to take his advice very seriously if their discipline is to make good progress. C Chandrasekharan who is a demographer, in his article entitled "Demography as an Essential Basis of Overall Planning" calls attention to the paucity of demographic data in India which is so essential for population projection and the formulation of realistic population policies. His paper is a timely reminder to the Indian sociologists who, unlike their colleagues in other countries, have not paid sufficient attention to the study of the population problem.

Nepal Joins Fund and Bank
NEPAL has now become a member of the International Monetary Fund and of the International Bank for Reconstruction and Development. The Articles of Agreement of the two institutions were signed in Washington on behalf of the Government of Nepal by the Nepalese Ambassador on September 6 — Nepal's quota in the I M F being \$ 7.5 million while that in the I B R D being \$ 10 million.



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A Model for Urban Studies

P G Ganguly

For constructing an analytical model for urban studies, it is not enough to proceed in terms of unique 'urban' relationships.

It is true that a number of new and typically 'urban' relationships emerge in a town and proliferate with the passage of time. However, the people who find themselves involved in these 'urban' relationships are simultaneously involved in relations which originate in the villages.

Further, in certain situations, e.g. in marriages, one group of people may have nothing to do with the other groups. These are examples of 'cut-off points'. An analysis of 'cut-off points', always necessary for detailed study of a network of relationships, appears to be doubly important in the case of a heterogeneous 'urban' society.

It is suggested here, therefore, that an analytical model for urban studies has to develop on the basis of the three concepts of (i) the unique urban relationships in a single social field, in so far as it in fact exists; (ii) the 'cut-off points'; and, (iii) the tribal/folk-urban continuum.

IT was argued by some of the earliest students of urban sociology — Robert Park, for instance — that a town should be studied as a unique social structure. The legitimate scope of urban sociology, they pointed out, is the town or city as a social structure with its unique relational features. A number of students then took the next step. They identified some of the unique features and Louis Wirth's essay was a classic synthesis of the results of such endeavour. A sociological search for the characteristic features of urban societies is still a persisting interest which is being fruitfully aided by statistical techniques and methods. Thus we have today a significant body of results regarding the demographic structure, patterns of fertility, processes and types of urban growth and their distribution, structure and function of urban governments and general observations on urbanization in developing countries. Nevertheless, it is important to note that, by and large, these studies deal with Euro-American data — mostly American — and operate with American models. At the same time, it is recognised that comparative studies of urban societies cannot develop without representative data from Asian and African countries and, therefore, determined efforts are necessary to collect such data. It is contended here that progress in this field is being hampered not only due to a paucity of facts relating to a wide range of societies but also on account of ill-defined and inadequate concepts. I propose to show this by stating systematically some of the conceptual difficulties with which I am

confronted while engaged in field-work on the problem of 'tribal politics' in an Indian 'steel town.'

Town as a Unique Social Structure

Though traditionally students of tribal societies and cultures, anthropologists have contributed to the study of 'urban' societies in no mean measure. This relatively new interest opened up for them when they were faced with the problems of studying preliterate societies under the impact of western administration, economy and technology, resulting, among other things, in a stimulated growth of old and new 'urban' centres. For a long time, however, anthropological studies of such societies were hampered by Professor Malinowski's confusing concepts of culture change. The fundamental problem for him was to seek and identify the purely tribal, the purely European, and the European 'tribal' mixed elements of culture in a situation of change. A massive amount of work was done with this theoretical framework but it gradually became apparent that this 'itemisation' approach could not go beyond mere description and classification and that it covered up a whole lot of problem-areas which it is the business of anthropologists to reveal. Professor Max Gluckman in a brilliant analysis of Malinowski's sociological theories, demonstrated why Malinowski's dynamics of culture change could not serve the purpose it was intended to fulfil.

Rejecting Malinowski, Gluckman contended, as Park had done earlier while defining the *raison d'être* of urban sociology, that a town is a

society with structural and functional features of its own. Therefore, the moment a tribal enters an industrial town, he finds himself in a social structure which is 'unique' and qualitatively different from the tribal system to which he was committed in his village. Here he finds himself, for instance, as a wage-earner involved in employer-employee relationships and a variety of other social relationships, typical of industrial towns all over the world. In a similar vein, Dr C Mitchell, while analysing an African tribal dance in an urban context, convincingly demonstrated that in a heterogeneous urban society, a tribe becomes a 'category' for group identification and ceases to be a 'social structure'. Whatever appears to be tribal in a town has to be viewed in an urban context. Thus Dr M Banton has described the growth of tribal 'unions', 'meetings' and 'compins' among the Temnes in Freetown in West Africa. These associations are based on tribal allegiances but all of them serve 'urban' functions — assurance of material and moral support to individual immigrants from villages, for instance — and, therefore, they have to be viewed as a part of the social structure of Freetown. Dr A L Epstein followed this approach in his study of the political structure of an African urban community. His analysis shows how with the passage of time, the more or less stable industrial population in Luanshya, a Copperbelt town in Northern Rhodesia, began to find tribal referents — relationships and values — quite inadequate for conducting urban activities. The institution of tribal elders, developed

the management of the mining company and accepted by African workers in the beginning, was voted out by Africans themselves when, after a strike, they began to organise and support associations directly born out of coalitions and clashes of 'urban' interests. These examples show that there is now a growing body of anthropological studies of urban societies in which Gluckman's model has been explicitly or implicitly accepted. This model directs us to describe and analyse the types of relationships crystallised in various groups which town-dwellers qua town-dwellers develop or come to use for the satisfaction of typically urban goals. Our search, therefore, is for the principles of social organisation in a town *per se*.

This appears to me to be a vital methodological contribution and a great improvement on the Malinowskian model. Gluckman gave us what may be labelled, after Robert Merton, as an 'orientation' model for studying the urban phenomenon in particular and socio-cultural change in general. An 'orientation' model is a necessary preliminary step in systematic research, the next step in the process being careful construction of an analytical model consisting of a set of elementary concepts, operationally useful, capable of being cast into a number of propositions, amenable to logic and empirical test. Some of the basic requisites for such a model may now be derived by critically examining the assumptions of Gluckman's model.

Study of Jamshedpur

It is empirically valid to say that a town is a unique set of social relationships but, on the same basis, it might be found that this uniqueness is true only for certain patterns of behaviour of the people under study and is either inapplicable or only imperfectly applicable to the remaining patterns. Writes Epstein: "But while the tribal elders and tribal representatives (in Luanshya) have thus suffered a complete eclipse within the wider field of political representation, we should be careful to avoid being misled into believing that it is 'tribalism' which has been eclipsed. For example, examination of the internal organisation of bodies such as the trade unions and the African

National Congress would suggest that 'tribalism' still remains a most important factor; cleavages within these bodies are frequently expressed in tribal terms." This tribalism has to be seen in an urban background but the fact that there is any 'tribalism' at all, whatever its kind and its field of operation, shows that there is some sort of tribal-urban continuum. The crucial questions can, perhaps, be put like this: Agreed that a tribal immigrant in a town or a city finds himself involved in a set of 'unique' urban relationships, how unique are these, 'unique' relationships? How new is the 'new'? What is the degree of 'involvement' of a tribal migrant in the 'unique' and the 'new'? These are important questions leading us into the depth of intricate urban relationships and it is difficult to pursue these questions if we just accept Gluckman's model and stop by stressing that a town has a unique social structure based on a unified 'social field' comprising the interdependent parts of a heterogeneous population. I can probably best illustrate my own difficulties by looking into the material on the tribal people in Jamshedpur, a factory town in the Singhbhum district of Bihar. I must stress at the outset that the following description and analysis should be taken as tentative.

Jamshedpur is situated right in the heart of a region which since long has been the home of tribals like the Santhal, the Munda, the Ho, the Oraon, the Kharia and the Hinduised tribals like the Mahato and the Bhumij. The town came into being in 1907 as a colony of the steel factory of the Tata Iron and Steel Company. In 1910, Jamshedpur, then known as Sakchi, had a population of some 6000; today, its heterogeneous population drawn from all parts of the country is about 300,000. Continuous expansion of the steel factory, development of subsidiary industries beginning soon after the first World War growth of services and other similar developments and the location of Jamshedpur on the main railway track joining Calcutta with Bombay, have been among the factors responsible for this remarkable growth. On a rough estimate, the total number of industrial workers in Jamshedpur is around 65,000. The total number of tribal workers in

Jamshedpur — skilled, semi-skilled and unskilled, according to the classification by the companies — is not more than 13,000. In addition, many tribal people are dependent on temporary jobs, but their number is not exactly known.

Jamshedpur does not house more than seven thousand tribals. This number includes children, old men and women who are unemployable, adults who are unemployed. Not more than 2,000 out of the 7,000 are employed by factories and contractors. It is, therefore, clear that the majority of the 13,000 tribal workers do not live within the town boundary. They live in a suburban belt of villages, some of them 8-10 miles from the works site, and workers travel the distance every day on foot. Within the town, the tribals are scattered only in three residential areas known as 'bustees' or large or small clusters of mudhuts. One 'bustee' out of three Sitaramdera, alone claims a tribal population of about 6,000 and, therefore, in the other two only some 1,000 tribals live in small settlement clusters, cheek by jowl with non-tribals. A very small number (about 300 families) lives in quarters provided by various companies and a similar number lives in privately-owned houses. The plots on which these privately-owned houses and the mudhuts are built, can be taken over by the Company for its own use on payment of compensation and a month's notice for vacation.

Tribal Workers

In 54 years of the growth of Jamshedpur, the steel Company which is the biggest single employer in the town, has come to employ some 6,500 tribal workers out of its total labour force of about 36,000. Only 500 of the tribal workers belong to the skilled category. The majority of tribal workers belong to the lowest income bracket of Rs 60 — Rs 80 per month. Cost of living in Jamshedpur is quite high and, therefore, though this cash income is high compared with the average per capita income in the tribal villages of Singhbhum, tribals of Jamshedpur find a number of 'urban' goods and services beyond their reach. But the tribals share a number of municipal and other services which are provided by the steel and other companies, free or on a nominal charge, to their employees.

Still, low wages and high cost of living, limit tribal participation in many urban activities. In addition, like most of the people in Jamshedpur, they have a general feeling that the only stake they have in the town is their job. Since they cannot buy land in a company owned town, villages are very much in the minds of men and women, even in the mind of the generation born and brought up in the town, for after retirement or in case of loss of job, there will be no alternative but to return to the villages.

From siren to siren, a tribal worker in Jamshedpur like others employed here in factories, lives out his time. In the works, he finds himself involved in a network of relationships. For instance, his relationships with his workmates partly conditioned by the process of steel-making, his relations with the personnel officers, the foreman and the union activist, are all new and unique relations, uncomparable with his relationships in the tribal system. Examples of this kind can be multiplied to show that a tribal immigrant to Jamshedpur has to perform a number of actions without referents, relational and evaluative in the tribal set-up. Urban goals are satisfied through urban relationships embodied in urban groups.

Village-Based Politics

But when these tribals in the town marry, they observe clan exogamy as they do in villages. Most of them still live in Jamshedpur without the benefit of formal education and, therefore, the content of socialisation of children is no markedly different from that in the traditional context. Much of their politics springs from issues with roots in villages, for tribals in Jamshedpur have practically no scope for competition for power and hence no local politics. Jamshedpur is run by a Town Division, by people who are employees of the steel company and, therefore, the most lively field for political operations in a town — an elected body — does not exist here. Even then one would expect that despite the absence of an elected town government, competition for power will exist in all sorts of primary and secondary groups normal for a town of the size of Jamshedpur. This is only partly true for a town in which everybody looks towards the

paternalistic company for everything. This situation is reflected in the virtual absence of effective voluntary associations in Jamshedpur. So far as the tribals are concerned, competition for power among them in Jamshedpur is almost eliminated due to the fact that most of them belong to the lowest income category, they hardly care to participate in the recognised labour union, they have no union of their own — not even a really effective pressure group for bargaining — and, within the paternalistic set-up of the town, no goals exist for them which can be achieved through competition. In addition, the traditional hatred of tribals for non-tribals as a category reinforces tribal solidarity and minimises inter- and intra-tribal competition. This hatred again has deep roots and ramifications in the tribal villages of the western and southern parts of the Chotanagpur plateau which have supplied Jamshedpur with the bulk of its tribal population. Unhappy experiences of exploitation and oppression of all forms at the hands of non-tribal land-lords and land-grabbers and money lenders, tend to unify tribals against the non-tribals, despite a network of urban relationships which bind the tribals and non-tribals together. Tribal memory treasures the history and the parahistory of a number of revolts against non-tribals in different parts of the plateau during the last century and even more recently.

The Congress party, interpreted by tribals of the western and the southern parts of the plateau as a party of only non-tribals, could not make much headway in these areas, except for a feeble movement inspired by Mahatma Gandhi known as the Tana Bhagat movement, during all the years of the struggle for independence. Chotanagpur was partially untouched by the struggle which spread into the remotest villages in other parts of the country. Geographical factors and the special protective policy of the British government were, no doubt, partly responsible for this, but there is enough evidence to show that Congress leader were prevented by the tribals from carrying out their political activities during the British regime. I do not want to go into the details of the exact nature of the tribal-nontribal

conflict and cooperation here. I have mentioned these facts to show that the tribals in Jamshedpur are motivated by values and relations which have roots in villages. In a recent memorandum to a commission on tribal welfare which was appointed by the All-India Congress Committee, tribal leaders in Jamshedpur demanded that arrangement must be made within the town boundary for a 'sarna', the traditional grove in a village where the village god, 'desauli' lives. A 'sarna' is intimately linked with the birth of a village and its founding clan. In a town like Jamshedpur, tribal bustees are not only multi-clan but also multi-tribal. The question of the founding clan does not arise in a company-owned town. Therefore, the demand for a 'sarna', I suspect, is just 'another item' in the list of demands. But the very fact of demanding something in a town which has its meaning only in the villages, seems, however, to be a point in favour of my argument.

Basis for a Model

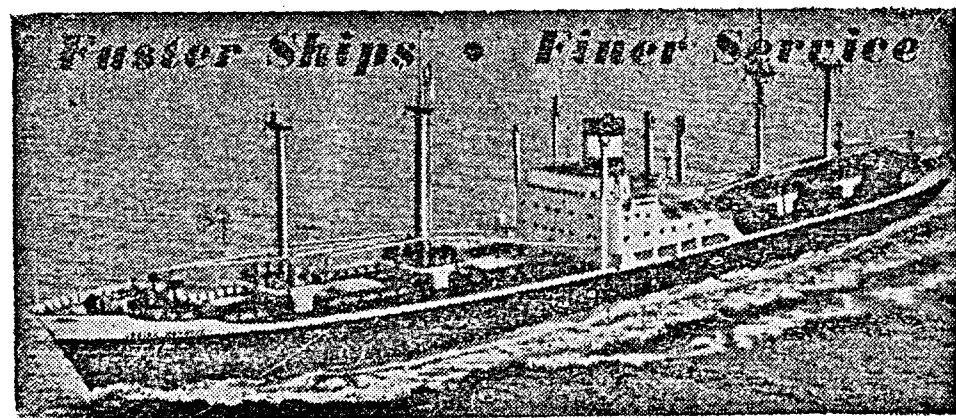
Evidence from Jamshedpur shows, I believe, that for constructing an analytical model for urban studies, it is not enough to talk in terms of a single social field and unique urban relationships. A town is what its residents make it. A number of new relationships emerge, in a town and, with the passage of time, these relationships, typically urban, are likely to proliferate. However, the people who find themselves perforce or by choice involved in these 'urban' relationships, can be simultaneously involved in relations and values which originate in villages. This appears to be a particularly important point in countries in which the population, still predominantly dependent on agriculture, has hardly reached the 'take-off' stage of urbanisation on sound economic grounds. Further in certain situations, as for instance in marriages, one group of people may not have anything to do with the other groups. An operative on the shop floor is administratively related to a foreman, but outside the factory this relationship ceases when in the evening the foreman goes to spend his time in his club. These are examples of 'cut-off points'. An analysis of cut-off points, always necessary for a detailed study of a network of relationships, appears to be doubly significant in a hetero-

geneous 'urban' society for these points will lie on a locus with tendencies towards boundary-formation. The major cut-off points will lie along a locus which forms what Gluckman calls the dominant cleavage in a unified social field and Gregory Bateson terms as 'schismogenesis'. The concept of cut-off points, for our purpose, seems to be sharper in so far as it directs our attention to the need for identifying and analysing cleavages, interruptions and blockages in relationships between two or more individuals. Space does not permit further elaboration of these concepts but I suggest that an analytical model for urban studies has to develop on the basis of consideration of the three concepts of (i) unique urban relationships in a single social field, in so far as it actually exists; (ii) the cut-off points; and, (iii) the tribal/folk-urban continuum.

In order to operationalise these concepts, they will have to be further broken down to elementary concepts but space does not permit us to undertake that task here. We can, however, briefly note here that the approach presented in this paper

suggests a possible basis for a synthesis of Gluckman's model with Redfield's model of folk-urban continuum, orthogenetic and heterogenetic towns, little and great traditions. I have not yet worked out the details of the implications of this synthesis but it seems that a successful re-articulation of concepts in the models of Gluckman and Redfield will logically require us to abandon the concepts like 'urban' and 'rural'. If in what tends to be reified as 'urban', we empirically find co-existence of the typically 'urban' and the typically 'rural' if in a town we find people's behaviour functionally related with a system of values with deep roots in little traditions, sociological delimitation of 'urban' and 'rural' becomes impossible. Sociologically, where lies the town? Certainly not within its administrative boundary. Then even within its administrative boundary, patterns of behaviour might be observed and systems of values inferred which one expects to find only in villages. This is being demonstrated again and again by in-field data from different parts of the world. Structural coexistence

of these incompatibles appears to be a special feature of towns and cities in developing areas. This is what the people mean when they say that Indian towns are often only over-grown villages. Statements such as these are not adequate for sociological purposes but they urge us to devise new theoretical frameworks for what are known as 'urban' studies. Analytical difficulties inherent in the use of concepts like 'urban' and 'rural' do not become very clear when we concentrate on only one administrative area defined as a 'town'. But they become insurmountable if our purpose is comparison. It is suggested that specially in the circumstances of developing countries, results of sociological researches can be maximised if we select a region as our maximal unit, not merely as our perspective, and conduct a series of related studies in order to discover various types of societal formations on the basis of their economic performance, competition for power, ideological interplay, structural continuities and breaks, measures of specialisation and differentiation and so on. This is a difficult but necessary task.



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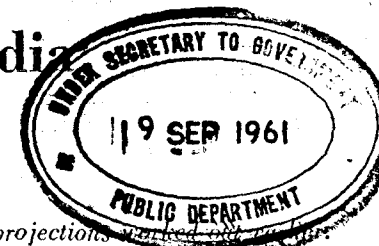
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Population Growth in India

A Reappraisal

T C Chellaswami



The 1961 Census count exceeded even the upper limit of expectation of projections.

An attempt is made here to critically examine the difference between the enumerated and the estimated population totals and to determine whether the assumptions underlying the earlier projections stand in need of revision and, if so, in what direction and to what extent.

An attempt is also made to estimate the growth of population in the period 1961-76 on the basis of modified assumptions in regard to future mortality and fertility trends in the light of the 1961 Census count and recent N S S estimates.

THE announcement of the provisional population count of the 1961 Census created an understandable stir. It has already prompted the planners to re-examine the various population forecasts. While the newspapers flashed in headlines that population growth has belied all forecasts, the Registrar General in his publication '1961 Census Provisional Population Totals' stated that "the count has exceeded even the upper limit of expectation of projections worked out in past years". All these seem to imply the need for revision in the assumptions underlying the various projections. Indeed some demographers seem to think so. This paper tries to examine whether there is any case for revising the assumptions at the present stage and, if so, to what extent and in what direction.

Table 1 below gives three different estimates for the population of India (excluding Jammu and Kashmir and the Tribal Areas of Assam) for the period 1951-76 at 5 year intervals assuming zero net migration based on certain assumptions regarding mortality and fertility trends during 1951-76. The base 1951 population used for the projection was not corrected for net under-enumeration at the 1951 Census.

Adjustments Necessary

Before attempting the comparison between the enumerated and estimated population figures for 1961, adjustments for the following factors are necessary so as to make them comparable:—

- geographical coverage of the two figures;
- migration factor in the two sets of figures; and
- the net under-count of the

population at the Censuses of 1951 and 1961.

The population according to the 1961 Census after adjusting the same for (i) geographical coverage (ii) net migration into the Indian Union from abroad during 1951-61, and (iii) net under-count at the 1961 Census, is obtained as explained below:

(Figures in millions)

The population of the Indian Union according to 1961 Census	438
Minus population of Jammu & Kashmir and the Tribal areas of Assam according to 1961 Census	— 4
Minus estimated population of migrants into India from abroad and their natural increase during the decade 1951-61*	— 3
Plus the estimated net under-count at the 1961 Census of about one per cent †	+ 4
Population of Indian Union in 1961 after adjusting for the three factors	435
Comparable projected population in 1961 except for adjustment for net under-count of 1951 Census population according to author's projections	424
Difference	11

* In an article in *The Economic Weekly*, April 15, 1961, migration from East Pakistan during the decade 1951-61 was analysed and was estimated to be about 2.1 million (during the decade 1951-1961). The total number of migrants into India and their natural increase during the decade 1951-61 from East and West Pakistan, Tibet and Nepal is assumed to be about 3 millions.

† No estimate of net under-count for 1961 Census is available as yet. Hence, it is assumed that this would be of the order of about one per cent.

As adjustments for differences in the geographical coverage and migration factor have already been made, the short-fall by 11 million in the estimated population could only be explained by (i) net under-count at the 1951 Census and/or (ii) the nature of the assumptions. Using the same method and assumptions followed in the author's forecasts, a population of 435 million in 1961 could have been obtained if the base population of 1951 was of the order of 364 million. As already explained the 1951 base population used for the projection was 357 million and this does not allow for the net under-count of about 1.1 per cent revealed by the post-1951 Census sample verification check. This under-count alone would raise the base 1951 population to 361 million. This leaves a gap of 3 million.

Under-count in 1951

It may be noted that the 1961 Census population has been corrected for an under-count of about 1 per cent. There is reason to believe that the actual net under-count at the 1961 Census might have been lower than that at the 1951 Census due to improvements in coverage, methods and organisation during the 1961 Census and this would reduce further the above stated gap of 3 million. Moreover, the estimated net undercount of 4 million during 1951 Census is likely to be rather on the low side because the design adopted for the sample verification of 1951 Census count was not satisfactory.

Table 1: Population of the Indian Union
(Excluding Jammu & Kashmir and Tribal Areas of Assam)

Projection	1951	1956	1961	1966	1971	1976
Coale and Hoover	357	384	424	473	532	601
T Chellaswami	357	386	424	469	521	581
Planning Commission Expert Committee headed by Registrar General	357	386	425	473	521	581

The verification officers were required to check the enumeration of persons from a random sample of households selected from the National Register of Citizens which was itself prepared during the census. The verification whether any occupied house had escaped enumeration was done by ascertaining whether three occupied houses nearest to the sample house had been included in the National Register. This procedure was not satisfactory because of the fact that only such houses or households which are inaccessible or located in isolated places are likely to be missed¹.

Nature of Assumptions

The assumptions underlying the author's earlier projection² are rather on the high side and are, therefore, expected to yield a higher population for 1961. That the expectation of life at birth would increase at an average rate of 9 years every decade is too optimistic, judged by the available international experience. A UN Report, discussing the assumptions of future mortality declines, proposed as a model, an annual gain of 0.5 years in expectation of life at birth wherever the expectation of life at birth is less

¹ Coale and Hoover, while examining the size of the 1951 population, observe: "Our analysis of the age and sex distribution in 1951 indicates that there was a substantial under-count of children under 5 in the Indian Census and also indicates, less persuasively, an under-count of females. A rough estimate of the two deficiencies in the Census Count is 20 to 25 million".

² For details regarding the original assumptions, their justification and the method of projecting the population, reference may be made to: T Chellawami, "Mortality and Fertility Trends and Population Growth in India (1956-76)" in 'India's Population', Asia Publishing House, 1960.

than 55 years³. As regards fertility, it has been assumed that the general fertility rate (G F R) of .177 corresponding to a crude birth rate (C B R) of 43 per 1000 population assumed for the quinquennium 1951-56, would remain unchanged upto the middle of the quinquennium 1961-66. This is by no means an assumption on the low side. In fact the projection of 1961 population (442 million, with correction for under-count) on the earlier assumptions would give a population of about 495 million in 1966.

From the discussions in the preceding paragraphs it will be clear that the gap of three millions stated above could only be explained by the higher net under-count at the 1951 Census, as the assumptions underlying the projection are considered to be on the high side.

Estimates of Population Growth

It is not the intention of this paper to argue for the projections. The main objective here is to emphasise that with our present know-

³ "Methods for Population Projections by Sex and Age" (ST/SOA/Series A, Population Studies, No 25).

ledge and in the absence of detailed age distribution of the 1961 Census Count and the 1961 Official Life Table, it is very difficult to assess the validity of the assumptions on mortality and fertility trends during the period 1951-61. On the other hand, the above analysis shows that the assumptions of the projection for the decade 1951-61 might be such as to yield a figure in 1961 at least equal to that revealed by the actual Count of 1961 if not higher. Hence any drastic or major revision of the assumptions, especially towards the higher side, is not advisable at the present stage. However, as future estimates of population for the period 1961-76 are required for perspective planning and for other policy purposes, estimates of population for the period 1966-76 at 5 intervals on the basis of slightly modified assumptions are furnished in the following paragraphs. The modified assumptions together with reasons for the modifications are explained below.

Table 2 gives the summary results and tables 3 and 4 give the detailed

Table 2 : Growth of Population, 1961-76

Particulars	1961	1966	1971	1976
Total population (millions)	442.0	499.8	565.5	638.8
Expectation of life at birth				
Males	44.4	49.2	52.4	55.8
Females	44.3	49.0	52.7	56.3
Infant mortality rate per thousand live births				
Males	127	110	97	84
Females	120	102	92	83
Crude birth rate per thousand population	42.0	40.8	38.5	36.1
Crude death rate per thousand population	19.2	16.2	13.8	11.8
Natural growth rate per thousand of population	21.8	24.6	24.7	24.3
Sex Ratio (defined as the number of males for every 100 females)	106.4	106.3	106.0	105.9
Dependency ratio (defined as the ratio of dependent population (0-14 and 65 and above age groups) to population in the working age group 15-64) (per cent)	76.7	81.1	81.5	80.4

Table 3 : Age Groups by Sex (in millions)

Age Group	1961			1966			1971			1976		
	T	M	F	T	M	F	T	M	F	T	M	F
0-4	72.1	37.0	35.1	83.3	42.7	40.6	96.6	46.4	44.2	98.1	50.3	47.8
5-9	59.7	31.0	28.7	67.7	35.0	32.7	75.4	40.8	38.6	87.3	44.8	42.5
10-14	47.9	24.9	23.0	58.2	30.2	28.0	66.3	34.3	32.0	78.2	40.2	38.0
15-19	42.4	21.8	20.6	46.8	24.3	22.5	57.2	29.7	27.5	65.6	34.0	31.6
20-24	38.2	19.6	18.6	41.3	21.2	20.1	45.9	23.8	22.1	56.2	29.2	27.0
25-29	34.2	17.4	16.8	37.1	19.0	18.1	40.3	20.7	19.6	45.0	23.3	21.7
30-34	30.4	15.6	14.8	33.0	16.8	16.2	36.1	18.5	17.6	39.3	20.2	19.1
35-39	26.6	13.7	12.9	29.1	15.0	14.1	31.9	16.3	15.6	35.1	18.0	17.1
40-44	22.7	11.9	10.8	25.3	13.1	12.2	27.9	14.4	13.5	30.9	15.8	15.1
45-49	19.1	10.0	9.1	21.4	11.2	10.2	24.1	12.5	11.6	26.7	13.8	12.9
50-54	15.4	8.1	7.3	17.6	9.2	8.4	20.0	10.4	9.6	22.8	11.8	11.0
55-59	12.1	6.3	5.8	13.9	7.3	6.6	16.0	8.3	7.7	18.4	9.5	8.9
60-64	9.1	4.7	4.4	10.5	5.4	5.1	12.2	6.3	5.9	14.1	7.2	6.9
65-69	6.0	3.0	3.0	7.3	3.7	3.6	8.7	4.4	4.3	10.2	5.2	5.0
70 +	6.1	2.8	3.3	7.3	3.4	3.9	8.9	4.2	4.7	10.9	5.2	5.7
Total	442.0	227.8	214.2	499.8	257.5	242.3	565.5	291.0	274.5	638.8	328.5	310.3

T = Total M = Males F = Females

age distribution of population estimates for the period 1966-76 at five year intervals on the basis of slightly modified assumptions in the light of the data revealed by the 1961 Census and the recent N S S estimates of crude birth and death rates. The base population assumed and the modified assumptions together with reasons for the modifications are explained briefly below.

The base population for the year 1961 is taken as 442 million (438 million of actual Count + 4 million of net under-count during the Census). Sex distribution of this total population is the same as revealed by the 1961 Census. (The number of females for every 1000 males according to 1961 Census was 940). The age distribution of this population is assumed to be the same as that of the author's projected population for 1961.

As assumed in the earlier projection, the expectation of life at birth increases at the rate of 9 years per decade upto the middle of the quinquennium 1961-66. On this assumption, the crude death-rate for the quinquennium 1961-66 works out to 16.2 and hence it is assumed that the rate of further decline in mortality would be lower than that assumed for earlier quinquenniums. It has, therefore, been assumed that,

Table 4 : Population by Broad Age Groups (in millions)

Age group (Both sexes)	1961	1966	1971	1976
0-4	72.1 (16.3)	83.3 (16.7)	90.6 (16.0)	98.1 (15.4)
5-14	107.6 (24.4)	125.9 (25.2)	145.7 (25.8)	165.5 (25.9)
15-49	213.6 (48.3)	234.0 (46.8)	263.4 (46.6)	298.8 (46.8)
50-64	36.6 (8.3)	42.0 (8.4)	48.2 (8.5)	55.3 (8.6)
65 +	12.1 (2.7)	14.6 (2.9)	17.6 (3.1)	21.1 (3.3)
Total	442.0 (100.0)	499.8 (100.0)	565.5 (100.0)	638.8 (100.0)

Note : Figures in brackets indicate the percentage to total population.

for the period after the middle of the quinquennium 1961-66, the expectation of life at birth would increase at an average rate of 0.7 years per annum as against 0.9 years per annum assumed previously. The hypothetical Life Tables based on U N Model Life Tables adjusted for the Indian mortality conditions have been used for projecting the 1961 population. The expectation of life at birth increases from about 35 years for the quinquennium 1946-51 to about 49 years for the quinquennium 1961-66 and finally reaches the level of about 56 years by 1971-76. (These estimates are for the quinquennium ending in the given year and are assumed to apply to the mid-year of the quinquennium).

N S S estimate of crude birth rate is slightly higher than that obtained under the projection for the quinquennium 1956-61. Hence

it is assumed that fertility decline would start at the end, instead of from the middle, of the quinquennium 1961-66. Further the rate of decline after 1966 would be slightly lower than that assumed earlier. Accordingly it has been assumed that the General Fertility Rate (defined as the ratio of total births during a year to the mean female population in child-bearing ages 15-49) of .177 corresponding to a Crude Birth Rate of 43 per 1000 population assumed for the quinquennium 1951-56 would remain unchanged upto the end of the quinquennium 1961-66 and there after decline to .170 and .160 for the quinquenniums 1966-71 and 1971-76 respectively.

Throughout, the sex ratio at birth has been assumed as 105 (i.e. 105 male births for every 100 female births). Zero net migration into India from abroad during 1960-70 has also been assumed.



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Gadgil's Approach to Indian Planning

A Note

M A Raz

The size of the economic surplus and the manner of utilisation of this surplus determine the rate of economic growth.

A strategy of development geared to the maximisation of the surplus and its most rational utilisation would not normally enable a developing country to achieve full employment of its labour force in the short run.

Professor Gadgil's approach to Indian Planning (The Economic Weekly, Special Number, 1961) differs from the official approach in one basic respect. To him employment is all-important. The official approach, more concerned with achieving a rapid rate of economic development, relegates employment to a position of secondary importance.

PROFESSOR D R Gadgil's 'An Approach to Indian Planning' deserves serious consideration by all those who are interested in the country's economic development. This brief note has a modest objective. It tries to examine critically Professor Gadgil's comments on the last decade of planning and to see if his approach differs basically from that of the Planning Commission.

Professor Gadgil's article consists of two distinct parts: (i) a critique of the First and the Second Five-Year Plans; and (ii) an alternative approach to planning in India. The second is the operational part of the paper.

To Professor Gadgil the most serious failure of planning in India has been the complete neglect of the problem of unemployment, particularly rural unemployment, and the consequent lack of improvement of the standard of living of the people. This is reflected in the large backlog of unemployment at the beginning of the Third Plan and by the stagnant nutrition standards. Agricultural development has also been comparatively neglected. Ceiling and tenancy laws have been shoddily enforced. Co-operation as a means of agricultural reconstruction has not been energetically pursued. Stabilisation of agricultural incomes and favourable terms of trade for agriculture are absolutely necessary for economic development.

Professor Gadgil, however, reserves his most trenchant criticisms for the Government's policy of industrialisation. Its emphasis on economic and social overheads and on basic capital goods industries has starved agriculture of much-needed capital resources. It has also resulted in a severe distortion of the

already inequitable distribution of income. The factors responsible for this distortion are, mainly, (i) dependence on private savings and leaving investment decisions in private hands; (ii) preferential treatment accorded to industries which have some export potential or which succeed in obtaining foreign collaboration, in the allocation of foreign exchange; and (iii) unregulated private investment in lines of production which do not have a high priority from the point of view of the country's economic development.

Maximising the Surplus

Before examining these arguments, I would like to digress briefly to state what I consider to be the basic determinants of economic development. At the risk of oversimplification, these may be stated as (a) the magnitude of economic surplus, that is, the difference between national production and national consumption, and (b) the mode of utilisation of this surplus. (For a fuller discussion of the various concepts of economic surplus see Baran, P A: 'The Political Economy of Growth', Chapter II). The maximisation of the economic surplus and its rational utilisation so as to ensure a fast rate of economic growth must be the primary objective of planning. This strategy would not, however, normally enable a developing country to achieve full utilisation of its labour force. Emphasis on economic overheads like transport and power systems and on basic and heavy industries in the initial stages of development, would maximise the economic surplus and make its rational utilisation possible and thereby achieve the fastest rate of growth in the long run. Such an approach to planning, it is under-

stood, entails considerable sacrifice on the part of the people. The Second Plan, with which economic planning may be said to have begun in India in a real sense was based on such a theoretical foundation.

Let us now return to Professor Gadgil's critique of Indian planning. I believe that the acceptance of the theoretical framework set out above by Indian planners explains the comparative neglect of the problem of unemployment. Not much can, therefore, be done in this regard without altering the basic premises of planning. The question thus boils down to one of value judgment.

The Institutional Framework

The poor performance of agriculture during the First and Second Plans is not the result of inadequate investment. The First Plan was clearly agriculture-based. In the Second, about 31 per cent of the total outlay was earmarked for agriculture. Besides, a considerable part of the huge investment in multi-purpose projects should be reckoned as investment in agriculture which will begin to yield returns in the long run. As against this we have the common complaint of under-utilisation of irrigation facilities and fertilisers. What lies at the root of the agricultural malaise is the slow tempo of change in the rural institutional framework. I am, therefore, one with Professor Gadgil when he pleads for speedier and more rigorous enforcement of ceiling and tenancy laws and for encouragement of co-operatives both in the field of agricultural production and the distribution of the agricultural produce. Even some

element of compulsion may be necessary, and justified, to achieve the co-operativisation of agricultural production. Again, there is little room for disagreement on a policy aimed at stabilising agricultural prices. But any attempt to manoeuvre the terms of trade in favour of agriculture would be detrimental to industrial expansion. It may make for a better deal to our farmers but it would enhance the cost of industrialisation and in general lead to a negation of the objectives of planning pursued so far.

That concentration of income and wealth has grown in recent years is not open to doubt. The extent of concentration is a matter of investigation and an expert committee is already engaged in the task. The factors which Professor Gadgil holds responsible for bringing about this concentration are precisely the ones which planning aims to remove. With the progressive enlargement of the public sector, dependence on private savings, and private influence on the economy in general, would be reduced. It is, however, difficult to understand Professor Gadgil's indictment of our import policy. Whatever its shortcomings may be, favouring export-oriented industries and industries which succeed in securing foreign collaboration can hardly be criticised. Foreign exchange is indispensable for us at the present stage of our economic development and every effort to increase our foreign exchange earnings needs to be made.

In outlining an alternative policy for industrialisation Professor Gadgil accepts the division of industries into consumption goods and production goods industries. The latter are sub-divided further thus: (i) economic overheads; (ii) basic industries; and (iii) industries producing capital goods required by the consumption goods industries. He accepts the continuing emphasis on the first two. He would, however, suspend further extension of machine industry producing consumer goods. The demand for these goods will be met partly by the traditional industries using improved techniques and partly by new dispersed and decentralised units. The pattern of the capital goods industry producing machines for consumption goods can then be adjusted to the needs of these dispersed industries. All this requires reformulation

of policy in many directions. What is necessary, in the main—an unambiguous price-policy, a channeling of private savings through public agencies, the regulation of private investment and industry and reorganisation of administration. Evidently these measures are not peculiar to the approach outlined by Professor Gadgil.

Contradictions

Attention may now be drawn to some of the, what seem to me, contradictions in Professor Gadgil's approach. First, having accepted modern science and technology as the foundations on which the economic super-structure is to be built, his emphasis on expanding traditional industries and on setting up new dispersed units to meet the demand for consumption goods seems a little odd. Most of our traditional industries, almost by definition, offer absolutely no scope for any scientific or technological improvements. Second, Professor Gadgil attributes most of our difficulties today to the attempt to force the pace of industrialisation by concentrating on the development of heavy and basic industries. One would, therefore, expect him to wash his hands off these industries in outlining his alternative approach. Not only does he not do this, but he actually approves of the 'immediate and continuous investments in the transport and power systems and in the basic industries'. Finally, his approval of the policy of basic and heavy industries does not seem to go well with the suspension of machine production of consumption goods and, therefore, of such machines themselves. An important objective of setting up these heavy and basic industries is to enable the production of the machines and the power needed for the production of consumer goods at a future date. What are we going to do with all the steel and all the heavy electrical and mechanical equipment if we do not intend producing machines for sugar mills or cotton textile plants or power to run these industries?

We may now take up Professor Gadgil's proposal for modernisation of traditional industries and for setting up new decentralised and dispersed units. Honestly, all such talk beats me all ends up. And it is not an emotional reaction either. Let us look at the facts. Which are the traditional consumer goods in-

dustries worth the name? What scope do they offer for the use of better techniques? Almost the only viable traditional industry of any significance is the handloom cotton textile industry. Others are unimportant to the point of being negligible. With so much money already spent on devising measures to effect technological improvements in traditional industries, what have we achieved? The Amber Charkha, the practical utility of which is anybody's guess, is an example. Other industries, such as the indigenous oil or gur or khandasari industry, offer even less scope for technical improvements.

Decentralisation Impractical

As for the dispersal and decentralisation of new units what is presumably meant is dispersal in location and decentralisation in ownership. But is such a policy really practicable? Even traditional industries have tended, for historical and geographical reasons to be concentrated in particular regions where they enjoy certain advantages by way of availability of raw materials of skilled labour, etc. Any attempt to diversify them in space is bound to meet with insurmountable difficulties. To try to produce sugar in Rajasthan or woollen shawls in Madhya Pradesh may satisfy the puritan with a faith in dispersed and decentralised industry but to a practical economist it does not make much sense. Again, a number of decentralised units would give employment to a greater number of people and to that extent such a move may be commendable. Such units, however, consume a greater part of what they produce in the process of production leaving less surplus for use elsewhere in the economy. The total surplus thus tends to be reduced and this hampers further economic development. What is needed, therefore, in consumer goods industries is an amalgamation of the existing uneconomic units and not their further division. The sugar industry is a case in point. The reason why Indian sugar is costly in the international market is the fact that the industry is made up of small and uneconomic units.

To sum up, Professor Gadgil's approach differs basically from that of the Government and the Planning Commission, only in one respect. He would like all our Plans to be employment-oriented. Hence

the emphasis on labour-intensive methods. The Government relegates employment to the secondary position. Its prime objective is to ensure a fast rate of economic growth in the long run. This approach entails greater sacrifices on the part of the people in the initial stages, but it also promises better returns. The success or otherwise of this approach would depend on the willingness and ability of the people to make such sacrifices as are demanded of them from time to time.

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Around Bombay Markets

Stock Market Hails Desai's Assurances

Wednesday, Morning

THE storm over stock exchange reforms has blown over with the Union Finance Minister's clarification of the official policy. Shri Morarji Desai assured the meeting of the presidents of the stock exchanges in Bombay on 9th September, that the Government had no intention of interfering in the day-to-day working of the stock exchanges which, he said, were autonomous bodies. There would be no legislation unless it became necessary, in which case the Government would have prior consultations with the stock exchanges. The Finance Minister advised the market authorities to safeguard the interests of investors because the Government wanted an increasing number of people to invest in existing as well as old shares. The investment market would attract an increasing number of investors only when a healthy market prevailed. He referred to the difficulties caused by kerb trading and requested the stock exchange representatives to find out how this could be stopped. The presidents of the seven stock exchanges decided, on the suggestion of the Finance Minister, to constitute themselves into a permanent committee which would meet from time to time to discuss problems relating to unhealthy speculation and evolve a procedure for sound share market operations.

It seems strange that the stock market should ever have been scared by suggestions about stock exchange reform. Shri Desai is known to be a friend of Big Business and of the stock market. It is not for nothing that equity prices have continued to show an upward trend — with occasional interruptions of course — since Shri Desai took over the portfolio of Finance. His assurance that the Government had no intention of interfering with the day-to-day working of the stock exchanges indicates that he is reasonably satisfied with the functioning of the markets. Speculation is known for excesses but it is also true that a forward market contains within itself a self-adjusting mechanism to correct the errors of optimism and pessimism. The mar-

ket authorities alone are competent to judge whether speculation has taken an unhealthy turn. Official mind is generally prone to associate every rise (or fall) in prices with excessive and unhealthy speculation. But the difference between speculation which is constructive and speculation which is unhealthy is a very simple one: it rests on the capacity of those who take the risk of paying the difference if the market turns against them. There is perhaps little to bother so long as the market's liquidity and solvency are not threatened in any way.

Equities Rebound

The Finance Minister's clarification of the official attitude about the much-talked-about stock exchange reform has brought about a turn in the general trading sentiment. The stock market has cast off its feeling of despondency and it is once again in a cheerful mood. Equity prices have recorded an all-round impressive recovery from the recent low levels. Century have shot up from Rs 643 c r to Rs 571 x r (Right is valued at Rs 130), Kohinoor from Rs 274 to Rs 287, Svadeshi from Rs 243.50 to Rs 259, Indian Iron from Rs 24.52 c d to Rs 24.28 x d, Tata Steel from Rs 147 c d to Rs 144.50 x d, Hindustan Motors from Rs 17.68 to Rs 19.40, Telco from Rs 325.50 c d to Rs 347 x d, Bombay Burmah from Rs 571 to Rs 592 and National Rayon from Rs 507 to Rs 537. In view of the phenomenal fall in equity prices since about the beginning of June, technical considerations alone could have produced a substantial recovery, but it is quite possible that the current rally may mark the beginning of a new bull phase. Of course a good deal will depend on developments in the political situation both at home and abroad.

Cotton

Futures at New High

COTTON futures last week shot up from Rs 594.50 to Rs 608.50 which takes the March contract well above its previous high of Rs 604.50 recorded on 14th

July. It all happened because of the unfavourable turn in the weather. Nearly all the important producing areas complained of excessive and untimely rains, Vidarbha being the worst hit. The damage, it is stated, is not inconsiderable and it might turn out to be quite serious if weather does not improve quickly enough. The trade has already started revising its estimates about the crop. It is felt that even if weather turns favourable right from now on the crop might not exceed 49 lakh bales. One can only pray and hope for the best. For the prosperity of the cotton trade and industry is closely linked with the size of the crop. Fortunately, the new season has started with a fairly large carry-over and the stocks with the mills are so large that they can well afford to wait for making fresh purchases till they are able to form a clear idea of the crop. That is why, the spot cotton market has continued to be rather quiet despite the hectic activity in futures. Reports of crop damage due to adverse weather have unnerved bears, who, it appears, had built up sizable "short" interest on ideas of a large carryover and prospects of a good crop. Nervous short covering and scarcity of offerings explain last week's spurt in futures. How far the rise might go depends entirely on the weather in the coming weeks. Because on weather depend the quality and the size of the crop.

The spot market was steadier in sympathy with the firmness in futures but turnover continued to be restricted. Foreign cottons, especially Africans, attracted fair attention because of the further setback in prices. The trade is anxiously awaiting the release of an export quota for Bengal Deshi and the announcement might soon follow the meeting of the Export Advisory Council. The damage to the Deshi crop as a result of the recent excessive rains in the Punjab and Rajasthan need not cause any delay in the announcement of an export quota but it is quite possible that the first quota might not be as large as generally anticipated.

According to an official release, the all-India final estimate of cotton for 1960-61 places the area under cotton cultivation at 189.71 lakh acres and production at 53.91 lakh bales of 392 lbs each. This has been compared with the "partially revised estimates" for 1959-60 which put the area and production at 188.04 lakh acres and 36.78 lakh bales respectively, to show that while the area under cultivation has risen by a mere 0.9 per cent, production has increased by 46.7 per cent and the yield has recorded an increase of 44.2 per cent from 77 lbs to 111 lbs per acre. As compared with the average of preceding five years' estimates, the final figures for 1960-61 show an increase of 23.7 per cent in production despite a decrease of 3.7 per cent in acreage. The average yield for these five years is placed at 95 lbs.

Cotton Production and Yield

The propriety of comparing the final estimates for one year with the partially revised estimates for another year is questionable, when the final estimates for that year are also available, even if, they do not materially change the broad conclusions. The final estimates for 1959-60 put the area under cotton cultivation at 192.52 lakh acres and production at 38.35 lakh bales which indicate that production has recorded a substantial increase in 1960-61 despite a decline in acreage. Little comfort can be derived from the marked increase in production and yield in 1960-61 as compared with 1959-60 or the average for the past five years. The wide variations in yield from year to year make one suspect whether increased irrigation facilities, improved methods of cultivation, better seeds and fertilisers have yielded any substantial results. Production and hence the yield continue to depend essentially on the unpredictable weather. The steady decline in acreage under cotton is a matter of serious concern as it indicates that the cultivation of cotton is comparatively less remunerative than other crops. And, if the area under cotton continues to decline it will be well nigh impossible to achieve the target for cotton under the third Plan. For, it will be much too much to expect that the likely increase in yield can take care of the estimated increase in production.

Oilseeds

Prices Decline Further

OILSEEDS prices last week suffered a further sharp decline though closing prices on 12th September were well above the week's lows. Groundnut January which had been marked down from Rs 214.62 to Rs 207.75 in the preceding week touched a new low of Rs 202 on 7th September. The quotation recovered sharply to Rs 208.75 by the 11th but was down again to Rs 204 the next day before closing at Rs 205.37. Groundnut oil eased from Rs 16.90 to Rs 16.25, rallied to Rs 16.95 but closed lower at Rs 16.50. Castor March declined from Rs 164.12 to Rs 159 but recovered sharply to Rs 163.75 before winding up the week at Rs 163.25. Linseed March were marked down from Rs 36.25 to Rs 35.56 but were up again at Rs 36.50 though the closing was lower at Rs 36.19. Cottonseed January moved irregularly between Rs 89 and Rs 91.50.

Earlier weakness reflected the continuation of the downward trend which had been in evidence for many weeks and had gathered momentum in the preceding week. Groundnut continued to be in the lead with fluctuations guided mainly by weather ideas. In view of the preceding steep decline, technical considerations alone could have produced the rally that occurred during the latter part of the week but sentiment was greatly helped by adverse weather reports from certain producing areas, particularly Saurashtra. Excessive rains caused anxiety about the outlook for the crop and most market men were inclined to revise down their estimates by one or two lakh tons.

How the crop will turn out depends largely on the weather in the coming few weeks because weather can still make or mar the crop. While an unfavourable turn in the weather has induced caution among bears, bulls remain reserved as the crop prospects have not yet undergone any material change. Spot groundnut and groundnut oil steadied near the week-end in sympathy with the improved sentiment in futures but turnover continued to be restricted as buyers preferred to keep off the market.

Apart from the pronounced weakness in groundnut, the sharp

break in castor futures early in the week was in no small measure due to reports indicating the possibility of a large quantity of castor oil being released from the U S stockpile over the next five years. The quantity was mentioned around 62,000 tons. The sale of such a large quantity of castor oil could certainly have a significant effect on the world outlook for castor oil. Export houses did not report any fresh business in castor oil during the week. Overseas quotations were stated to be substantially down over the week with the U K buyers offering £ 114/115 per ton for Commercial. Since there are few afloat parcels on offer now the chances of business with the U K are thought to have improved. But that alone might not bring about any marked recovery in domestic prices. Shippers report considerable difficulty in securing supplies of oil even though the export performance this year has not been encouraging. This suggests that there has been reduced crushing of castor seed this season, presumably because of the improved supply of other seeds. Export of groundnut extra-actions continues to be at a fairly satisfactory level though overseas prices have suffered a further decline. The U K paid £ 29.5 per ton for October shipment against £ 30.5 in the preceding week. November-January shipment was quoted around £27.10.

Bullion

Bullion Prices Firm

BULLION prices showed a firm tendency last week, with gold rising to a new all-time high on persistent bear covering and renewed bull support induced partly by improved spot inquiry and partly by reduced smuggling activity. Gold Bhadrava delivery improved gradually from Rs 123.45 to Rs 125.55. Corrective profit-taking brought down the quotation to Rs 125 near the week-end. Silver Bhadrava improved from Rs 203.20 to Rs 204.60 but reacted to wind up the week at Rs 203.85. The spot metals continued to be quoted at a discount which varied between 30 nP and 40 nP in case of gold and between 60 nP and 65 nP in silver. Trading in Magsar delivery was commenced from 11th September. The budla rate was 30 nP against sellers in case of gold while in case of silver the budla rate was Rs 1.05 against buyers.

The Economic Weekly

A Journal of Current Economic and Political Affairs

September 23, 1961

THIRTEENTH YEAR OF PUBLICATION

Volume XIII No 38

Price 50 Naye Paise

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THE ECONOMIC WEEKLY

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Telephone : 253406

Foreign 40 s or \$ 6

Annual Subscription : Rs 24

After Dag Hammarskjöld

THE death of Dag Hammarskjöld in a plane crash last Sunday removes from the world scene a man of rare ability and achievement. He was not a colourful personality, nor one given to dramatising his role in international affairs. It was perhaps this attribute of his, as much as his intellect and integrity, that made him, until the final years of his life, so effective a Secretary-General. In the eight years for which he held office, the United Nations ceased to be a mere debating society. It became, though not an effective parliament of nations, at least an instrument of restraint on the cold-war blocs as well as an agency for common action in restricted areas. Not a little of this was due to Hammarskjöld's quiet initiative and devotion to the furtherance of the objectives of the United Nations. Indeed, the vehemence with which the United Nations is criticised these days by the blocs is a measure of its growth in stature under his stewardship. The U N and the world owe this to this conscientious man more than they realise or grudgingly acknowledge.

In the past year or so, Dag Hammarskjöld had to work with only the smaller non-aligned nations in the U N fully supporting him. The Soviet Union had openly broken with him; and it is now bent upon making nonsense of the office of Secretary-General. Though the Western powers have not gone so far, they have by divers means effectively neutralised U N action in several theatres. In both cases, the basic approach has been the same: to ensure that the U N remains something to be used only when it suits one's convenience.

The tragedy of Hammarskjöld's death is enhanced by the use that is being made of it on both sides. The Soviet Union views it as a heaven-sent opportunity for pressing its demand for substitution of the Secretary-General by a 'troika'. To emphasise this, it has gone so far as to refuse to be associated with any praise for his contribution to the cause of international understanding and amity. Whatever the tactical justification for this attitude, it certainly does little credit to Russia's sense of common decency.

The Western powers have, on the other hand, moved fast to compromise the position of the U N in the Congo. Some of them have yet to clear themselves of the charge that they abetted in arranging an 'accident'. The circumstances under which Hammarskjöld's plane crashed are such as to give credence to accusations of sabotage or wilful attack. There will of course be a host of enquiries. But it will be astonishing if anything like the whole truth emerges from them. In the unlikely event of foul play being unearthed, more expressions of shock will be mouthed. And those that may have been guilty will know that there is nobody willing to undertake the odious task of bringing them to book.

The most shocking development following the plane crash is the studied attack on the U N authorities operating in the Congo. They have been made to appear as 'aggressors', seeking to prevent the application of the principle of self-determination in Katanga. They have been accused of atrocities and subterfuges and of transgressing their

mandate. It must be said to the credit of the United States that it has not gone all the way with the U K, Belgium and other colonial powers in this regard. But that is not enough. The U N is in the Congo

because its members wanted it to be there and because the recognised Government of Congo sought its assistance. To cut the ground from under its feet now is to deal the United Nations the same mortal blow

that was struck at the League of Nations when Ethiopia was invaded by Italy. And that, it should be remembered, was the prolegomenon to a world war.

Fund and Bank Meeting

VIENNA was the venue this week of the annual general meetings of the International Monetary Fund and of the World Bank and its offshoots, the International Finance Corporation and the International Development Association. World attention was concentrated, however, on the meeting of the International Monetary Fund because of the various schemes that had been put forward for its reconstruction. There had been a considerable amount of discussion throughout the world about the merits of the different schemes and it was believed that differences on this question would be thrashed out at Vienna. It was hoped that an effort would be made to evolve a consensus of opinion on the best way of making the Fund more effective in dealing with international monetary problems.

It is apparent from the annual report of the Fund that official opinion within the organisation had crystallised in favour of a more moderate approach to the problems facing the I M F. The report states quite clearly that "attention has been concentrated on the possibility of concluding credit arrangements of a stand-by nature between the Fund and the industrial countries under which the Fund would be able to borrow supplementary amounts of their currencies whenever the need might arise." This follows logically from the belief that while the resources at the disposal of the Fund at present should be sufficient in the aggregate for most situations that the Fund might have to meet, circumstances might arise in which the Fund would need additional supplies of certain currencies. If this were the basic problem facing the Fund, there was clearly no reason to bring about any change in the basic structure of the I M F. All that was necessary was a decision by the Fund to make use of the borrowing powers which the Articles of the Fund already give it.

The important feature of the scheme now proposed, which is

what makes the concurrence of the members concerned necessary, is that the suggested credits from the major industrial countries to the Fund should become automatically available to it. This scheme, which has been presented to the Vienna meeting with the authority of the Fund's Managing Director, Dr Per Jacobsson, has the strong support of the U S delegation. If it is true that the opposition of the major industrial countries which were expected to make these credits available is no longer very strong and that they may agree not merely to the magnitude of the credits proposed but also to the automatic availability clause, there is no doubt that the International Monetary Fund will emerge from the Vienna meeting with much greater capacity than before to deal with international monetary problems.

The present resources of the Fund are about \$ 15 billion of which more than \$ 3 billion is in gold and more than \$ 6 billion in convertible currencies. The Fund now proposes to establish credit arrangements for a further \$ 6 billion (all in convertible currencies), thus increasing its present gold and convertible currency resources by as much as two-thirds. Though only a portion of these resources may be actually available to the Fund — it will borrow only those currencies which are in a strong position — it should still be in a position to deal much better with international monetary problems than before.

It must be remembered that the Fund has already made some progress towards increasing the utilisation of the resources at its disposal. A number of additional currencies took on the responsibilities of fully convertible currencies last year and the Fund is now making an effort to draw upon a wider range of these convertible currencies in making loans to the borrowing countries. The recent loan to India is a case in point.

Only events can show whether the proposed increase in resources taken together with the increased utilisation of the resources already available to it will prove adequate for the Fund's purposes.

While the International Monetary Fund has been concerned with the inadequacy of resources at its disposal, the World Bank, however, has faced no such problem. This is not so because it has been inactive. On the contrary, the Bank's annual report shows that the tempo of its activities has been fairly well maintained. Net World Bank loans at the end of June 1961 totalled \$ 5,669 million, with almost half this total having been provided during the last four years. The Bank's loans this year, the fifteenth year of its existence, amounted to \$ 609 million dollars. In spite of this huge lending, the World Bank faced no problem of resources because it relied to a considerable extent on borrowing and sales of parts of Bank loans for financing its operations. The total funded debt of the Bank amounted to \$ 2,228 million and the sales of the maturities of Bank loans, including participations arranged at the time of making such loans, exceeded \$ 1,000 million. It is clear from this that the World Bank has played a very useful part in channelling funds into the developing countries of the world, not merely by utilising the resources put directly at its disposal but also by drawing upon the resources of capital markets in advanced countries throughout the world. The Bank has rightly claimed that it has played a part in broadening the stream of financial and technical assistance to the less developed countries.

Though the terms on which the World Bank's loans have been made have been more favourable than those given directly by some of the advanced countries, they have been still quite onerous. The World Bank has not failed to recognise this. That is why it took the initiative

in the formation of the International Development Association, which has done very good work during the short period of its operation. The I D A gives long-term loans on very favourable terms — interest-free and instalments to commence after ten years. Unfortunately, the resources at the dis-

posal of the I D A are quite inadequate. Since the International Development Association cannot borrow in the capital markets at commercial rates and then lend out on the terms on which it has done so far, it is necessary to consider ways of enlarging the resources at

the disposal of the Association. Though the Vienna meeting does not seem to have taken any steps in this direction, it has certainly helped to create the atmosphere in which such steps are likely to be favourably considered by the countries concerned.

Congress Manifesto

THERE is little doubt that the Congress is stronger today than it was on the eve of the last general elections. This was demonstrated by the unprecedented success of the Congress at the mid-term elections in Orissa a few months ago, when the Congress, for the first time, obtained a clear majority in that State. But it is not the success in Orissa alone which indicates the strength of the Congress. That the Congress position is today stronger can be seen from the progressive weakening of the position of the other parties. Basically, this strength is derived from the general improvement, not so much of the economic conditions of the people but of the economy, which conveys assurance to the people that the broad lines of development initiated by the Congress can lead the country some day to a better future. The Congress is today in a strong enough position to admit its mistakes and shortcomings, being confident that the country will, nevertheless, approve of and accept the broad lines of development that it has chalked out in the Third Plan.

In fact, the Third Plan was its election manifesto; the Congress needs no other, as a new plan always comes out before every general election; and the document which has just been issued as its manifesto is largely a verbatim reproduction of the introductory chapter of the Third Plan which outlines its aims and objectives. That objective was defined as one of the pursuit of the good life for the mass of the Indian people. But being an election manifesto, it had to have a preface, in which is stressed the development of the social and economic ideals of the Congress during the period of the struggle for the country's freedom and tracing the history of the

gradual growth of the idea of planning within the Congress, which had taken root even before Independence and, since the manifesto has to have a conclusion, it ends on the need for the integration of the people and reiterates the Congress stand for a united, non-sectarian and secular India. The progress of the Plan and the perspective of the economic development that is to come, comes in between.

On the broad strategy of development, there is not much scope for dispute. It is the social content of the Plan which is largely missing and this is sought to be covered up by a lot of verbiage which agrees neither with logic nor with the experience of the first ten years of planning. There has been development, no doubt; but the Congress is uncomfortably aware that such development as has taken place has not led to the progressive reduction of inequalities or even of regional disparities. This is a subject which has been covered in some detail in the editorial on the final Plan in the issue of August 12 under the caption 'Hesitating at the Frontier'. If one looks at the world today, it would be difficult to maintain that there is only one road to economic development. Many countries have achieved very high rates of growth in the last decade but they have achieved it by pursuing widely divergent social policies. A high rate of investment is all that is necessary to achieve a fast rate of growth.

But growth does not necessarily mean greater equality or dispersal of economic power, the two basic conditions which the Third Plan as well as the Congress manifesto regard as essential for securing the good life for the mass of people.

In fact, the election manifesto itself poses the question: "Can economic growth be secured without the growth of monopolistic tendency and the concentration of economic power?"; but like Pilate who asked "What is truth" and would not stay for an answer, the manifesto passes it by. True, it points to the growing public sector, but even if all that is planned for public enterprise is achieved, Government will, at the end of five years, have under its direct control a smaller segment of the economy than the private sector. The bulk of the economy will still be in private hands and the extension of the public sector will not by itself curb the forces making for concentration of economic power. Besides the extension of the public sector, however, the Government has other instruments for diffusing enterprise and ownership, financial institutions for helping new entrants in the field of industry and also a cooperative sector which can be developed. Whether these instruments are adequate or not for attaining the objective of securing greater equality and wider diffusion of economic power, one cannot say for they have not been employed purposefully and with co-ordination. Economic development as a result has brought with it greater concentration, accentuated inequalities and has also greatly increased conspicuous consumption — all these are well known. They have been subject of official investigation. But one does not see in the measures contemplated in the election manifesto that the means for the transfer of economic and social power to the small man are going to be applied more purposefully than in the past. The social changes desired are left to emerge somehow and some day from the process of economic development which is not aimed at or cannot achieve these ends.

Weekly Notes

More Funds for Coal

AT a meeting in Delhi last week, the Coal Council called for a larger allocation of funds to the coal mining industry to enable it to achieve the targets set for it in the Third Plan. The Council, which is an advisory body consisting mainly of officials but includes representatives of the private sector also, pointed out that the funds allocated to the industry were inadequate to achieve the target. The target for additional production of coal is 37 million tons of which the public sector's share is 20 million tons. Three million tons of the additional production in the public sector are to be obtained by the expansion of the Singareni collieries, which leaves 17 million tons to be achieved by the NCDC. The NCDC has formulated a programme for creating additional production capacity of 18.5 million tons by 1965-66 which will enable it to raise actual production by 17 million tons.

It has been estimated in the Plan that the production of 20 million tons of coal in the public sector, out of the total additional production of 37 million tons targeted for the last year of the Third Plan, will require a capital outlay of Rs 103 crores against the Plan provision of Rs 57 crores for NCDC and Rs 20 crores for Singareni. Even allowing for the additional funds that will be available for coal from the provision for the Bokaro Steel Plant the gap between the resources allocated and the funds which will be actually required is quite substantial. No indication is available about the volume of funds that will be available for coal production from the allocation for the Bokaro Steel Plant which is a reflection on the way in which these projects are planned.

To achieve the private sector's target of increase in production of 17 million tons, the Plan has made a provision for expenditure of Rs 60 crores. Though the same figure was mentioned at the meeting of the Coal Council, it is not clear whether this implies that the figure stands after re-examination or whether this means that no such re-examination has been carried out at all. The Plan targets are based on the as-

sumption that production in 1960-61 was 60 million tons so that by increasing production by 37 million tons during the Plan, actual production in 1965-66 will be 97 million tons. But actual production in 1960-61 was only 54.62 million tons, so that the gap between present production and the target is 5 million tons larger than has been assumed in the Plan while calculating the resources needed by the industry.

Since the burden of Sardar Swaran Singh's speech at the Coal Council's meeting was that the target of production for the last year of the Third Plan was realistic in terms of the country's coal needs, it is clear that the target cannot be lowered. The Council agreed that to achieve the target of 97 million tons of production in 1965-66, larger resources must be found. From where these resources would be forthcoming is anybody's guess.

Hold Up in Distribution

THE failure of the transport system to distribute coal properly throughout the country has in recent months occasioned more anxiety than the failure of the industry to achieve the Second Plan production target. The weaknesses of distribution have in fact had their repercussions on production of coal itself apart from its impact on production of other commodities. The two-day conference on coal allocation and movement, which preceded the meeting of the Council was, therefore, dealing with equally important problems. Unfortunately, however, the Conference did not make it quite clear that what was necessary was an increase in transport capacity, but had to be content with a discussion of the merits of coal dumps set up at different centres and of movement of coal in full or half rakes instead of in individual wagons.

It is not surprising that there was no unanimity on these questions, representatives of industry being more concerned with the increase in the cost of coal due to the costs of maintenance of coal dumps and the burden of double handling. It must be admitted that there is considerable scope for an improvement in

the organisation of the transport system, for the movement of coal in particular and of all commodities in general. Time and again, it has been shown that considerable improvement in efficiency can be brought about with relatively small changes in railway organisation and methods. It was surprising that little attention was paid at this meeting to this question which could make all the difference to the coal transport situation.

Attention must also be drawn to the loss of transport capacity that results from the failure of the coal mines to give coal loading the priority that it deserves. Cases of collieries, both in the public and the private sectors, detaining wagons on various pretexts have been reported. Such wastage of transport capacity must be considered criminal at a time when the shortage of coal is causing losses of production throughout the economy and resulting in a fall in employment and income for large numbers of workers. It is for the collieries, no less than the railways, to ensure that the available transport capacity is fully utilised.

Power Shortage Inevitable?

IT is unlikely that anyone will be really surprised by the Sachdev Committee's forecast of impending power shortage in the eastern States. Since the acute and widespread power famine earlier this year, people are prepared to believe the worst about electricity supply.

The Third Plan frankly admits the failure of its predecessor on the power front. Thus, against the target of 3.48 million kW, generating capacity increased by only 2.28 million kW from 3.42 million kW to 5.7 million kW in the Second Plan period. The shortfall occurred, it is well known, mainly because of the foreign exchange difficulties that arose during the early years of the Plan and also because of delays in the execution of some of the major projects like Bhakra-Nangal, Koyna, Rihand and Hirakud.

The Third Plan proposes to raise aggregate generating capacity by over 120 per cent from 5.70 million kW in 1960-61 to 12.7 million kW in 1965-66. Though this is

somewhat lower than the target of 14 million kW suggested by the Irrigation and Power Ministry, what really gives plausibility to the prophecies of shortage of power is the peculiar phasing of the benefits of the power programme in the Plan. Thus, in the first two years, the increase in generating capacity planned is ridiculously low amounting to a little less than 20 per cent of the increase planned in the entire five-year period.

What is difficult to understand is why the target of increase in capacity should have been placed so low in the early years of the Plan. In this connection it is significant that in the case of power the actual financial allocation is enough to meet the costs of the various projects included in the Plan programme. This is in contrast to the gap of 20 per cent between financial provision and cost of programmes in the case of industry and minerals and 10 per cent in the case of transport and communications. Equally important is the fact that a little over 40 per cent of the aggregate increase in installed capacity is expected to be achieved from continuing schemes, the returns from which, one should expect, would be available much quicker than those from new schemes. It is surprising, therefore, why it is not even considered that it may be possible to achieve a higher rate of increase of generating capacity in the first two years of the Plan than expected in the Plan document.

Reserve Bank Report

WE have had from the Reserve Bank in quick succession a series of excellent reports on joint stock banks, and the co-operative movement, the General Report on the Second Follow-up Survey, the report on the Survey of Co-operative Banks and the highly formidable Currency and Finance Report. The latest to arrive — and this perhaps signifies the end of this season — is the statutory Annual Report of the Central Board of Directors of the Bank to the Central Government for the year ended June 30, 1961. As against 36 pages taken up by the narrative part of the Report for 1959-60, the present one covers 51 pages (or shall we say, in the language of the Reserve Bank, that "the size has shot up by 41.7 per cent"?). But with what advantage?

There is perhaps some justification for the Currency and Finance

Report of the Bank being a colourless document, faithfully recording the happenings of the period under review, from which readers may draw their own conclusions. But, surely, the same cannot apply to the signed report of the Board of the central bank of the country, which consists, besides the Governor and the two Deputy Governors, of the Secretary of the Department of Economic Affairs, and such eminent public figures as, for example, Shri J R D Tata, Professor D R Gadgil and Shri R G Saraiya and which is able to draw on the resources of an acknowledgedly efficient institution. These Annual Reports are tending to become just summaries of relevant portions of some of the departmental reports. The effort to present a compact account of the main trends in the economy during the year is still there but constructive criticisms of Government and business, aimed to strengthen the economy, are lacking.

Location of Projects

WITH the announcement of the location of seven Central projects on Wednesday, the location of most of the major industrial projects to be undertaken by the Centre in the Third Plan has been decided upon. The seven projects, the first new major heavy industrial projects to be taken up in the public sector in the Plan, are expected to cost about Rs 125 crores and will involve foreign exchange expenditure amounting to Rs 50 to Rs 60 crores. The projects are known to be at an advanced enough stage of preparation to permit their being taken up for execution more or less immediately. Foreign exchange for them has already been arranged and preliminary project reports are also said to be under preparation.

The precision instruments plant for the manufacture of electronic and electro-magnetic instruments, to be built with Soviet technical collaboration and financial assistance, is to be located in Kotah in Rajasthan. The total cost of the project is estimated at Rs 8 crores and the value of output, when the plant goes into full production, will be about Rs 10 to Rs 15 crores. The other precision instruments plant included in the Plan is to be located in Kerala. The plant, which is also to be built with Soviet technical collaboration and credit, will manufacture mechanical, pneumatic and

hydraulic instruments. The total cost of the project is estimated at Rs 8 crores and the value of output will be over Rs 10 crores when the plant is in full production. These two instruments projects, which will manufacture a wide range of high precision industrial instruments, will be among the biggest of their kind in the world.

The second heavy electrical equipment plant to be built with the technical collaboration and financial assistance of Czechoslovakia, is to be located at Ramachandrapuram near Hyderabad. The plant, which will manufacture steam turbines, alternators, generators and other heavy electrical equipment, is estimated to cost Rs 25 to Rs 30 crores. It will be managed by the Heavy Electricals Ltd, which also manages the first heavy electrical equipment manufacturing project in the public sector at Bhopal, established with British collaboration. The third heavy electrical equipment project is to be located in Ranipur in Uttar Pradesh. The project, which is estimated to cost about Rs 30 crores, is being established with Soviet credit and technical assistance. It will manufacture turbines, electric motors, alternators and generators besides a wide range of other heavy electrical equipment. Like the other two heavy electrical projects, this will also be managed by Heavy Electricals Ltd.

With the completion of the three heavy electrical equipment projects, the aggregate annual output of Heavy Electricals Ltd will amount to between Rs 80 and Rs 100 crores. The programme of establishing the plants has been so organised as to avoid overlapping and to achieve an integrated pattern of production. It is estimated that the three plants will fulfil about three-quarters of the country's total requirements of heavy electrical equipment by the end of the Fourth Plan. The output of the three plants will then be adequate to enable power generation to be increased at the rate of two million kW annually.

The high pressure boiler plant which is to be established in Madras with technical collaboration and credit from Czechoslovakia will manufacture boilers to meet the requirements of thermal power plants besides other high pressure chemical and other equipment. The total investment on the project is esti-

mated at Rs 15 to Rs 20 crores. The project was originally visualised as part of a composite heavy electrical equipment project but it is now proposed to develop it as an independent plant. The heavy plate and vessel works and heavy structural works, for which British collaboration and credit have been secured, will be located in Wardha in Maharashtra. The plate and heavy vessels shops are expected to have an output of 12,500 tons of high quality plates and vessels required for chemical, fertiliser, petro-chemical and other allied industries. The heavy structural shops will have an annual output of 25,000 tons. The entire project is expected to cost about Rs 15 crores.

And, finally, it has been decided to locate the new machine tools project of Hindustan Machine Tools at Pinjore in Punjab. Exclusive of the output of the small-scale sector which is estimated at about Rs 5 crores, the Third Plan target for machine tools is envisaged at Rs 30 crores worth of output by 1965-66 as against an estimated production of Rs 7 crores in 1960-61. Even this three fold increase in output will not be adequate to meet the demand for machine tools which is expected to go up to about Rs 50 crores. In the public sector it is proposed to expand the capacity of the two existing plants, Hindustan Machine Tools and Praga Tools; and establish a new heavy machine tool plant near Ranchi in addition to the plant which is to be located at Pinjore. The last-mentioned project is to be of the same size and type as the H M T. It will have an output of 2,000 machines valued at Rs 6 crores annually when in full production. It is estimated that the combined output of these machine tool works in the public sector, including the production expected from the Defence Ministry's prototype factory at Ambarnath, will be of the value of about Rs 15 crores at the end of the Third Plan.

The final decisions on the location of the seven projects are known to have been taken having regard to the recommendations of the Technical Committees which had been appointed to study the question of location. The Committees, it will be recalled, had been advised to bear the objective of regional dispersal in mind and to suggest a panel of sites for each project in relatively back-

ward regions without prejudice to technical and economic considerations. The large projects to be established in these regions are to be regarded as the 'nucleus' for integrated development of the region as a whole. From the decisions about location of projects in the public sector taken so far, it is apparent that there will be a certain amount of dispersal in the establishment of these projects.

Bhutan's Isolation to End

A Correspondent Writes

IN the face of demands from his people that Bhutan must exhibit greater sovereignty in its relations with other countries, the Maharaja counselled his countrymen last year that they should first concentrate on developing communications with the outside world. Bhutan's centuries-old isolation will soon end. The construction of the Pancholing-Paro road is fast progressing and it is expected to be ready for normal traffic next April when Pandit Nehru may himself attend its inauguration. This road will permit easy access into the heart of Bhutan. Until last year the journey to Paro on mule-back used to take a week, but now, with most of the road completed, the journey takes only a day. Trucks are using the road to carry construction material and only a few miles of the road remain to be built, according to Bhutan's Prime Minister Jigme Dorji who was in Delhi last week.

During his visit, Mr Dorji signed a pact with the Indian Government for the construction of the Jaldhaka hydro-electric project and exchanged letters with India's Foreign Secretary on Bhutan's Rs 17.2 crore development plan.

About 24,000 men and women are working on road construction and other projects in Bhutan. In the implementation of the development plan, labour will be one of Bhutan's difficult problems. Its population 700,000 is largely engaged in agriculture, and road building has progressed with compulsory labour of more than three weeks per adult from families which benefit from the roads. In addition to hundreds of skilled Indians, Bhutan may have to recruit 4,000 Indian labourers because the total labour force needed next year may be more than 30,000 for roads, administrative buildings and a proposed fifty-bed hospital.

More than 4,000 Tibetan refugees are being resettled in north-east Bhutan but these refugees are not considered to be good labourers. The first technical experts other than Indians to go to Bhutan may be Swedes, with whom negotiations are in progress for a craft paper project.

About fifty Indian primary school teachers are among those who have been recruited for employment in Bhutan where both Hindi and English are to be taught in addition to Bhutanese. Indians will also initially man the geological survey planned in Bhutan. A former chief secretary of Sikkim has been appointed director-general of development in Bhutan which is to have an Indian financial adviser and administrative officials from India to head its forest, health and agriculture departments.

The Jaldhaka hydro-electric project will bring extensive benefit to areas in north Bengal. Communications with these areas are difficult at present because of the need for transit through Pakistan. Rising in Sikkim, the Jaldhaka river runs along the Bengal-Bhutan border for twelve miles. A diversion weir will be built, partly in Bhutan and partly in Bengal, and from there a two-and-a-half-mile tunnel will take off. The tunnel has been blasted from rock and reinforced with concrete. From the surge house where the main tunnel will end four steel lined tunnels will take the water to the power house on the banks of the Jaldhaka below the Paren Hills. Around Paren town construction of staff quarters and roads has already begun.

Initially 18,000 kW of power will be generated through two generators with a capacity of 9,000 kW each. About twenty towns will benefit in the first stage. These towns are spread over 2,000 square miles, and there will be 160 miles of transmission lines. Power supply will later be extended to forty towns. Later, there will also be additional seasonal production of 18,000 kW, through two more generators, to feed extra power to tea gardens in the plucking season. This will help modernisation of the tea factories and also enable the establishment of paper pulp and plywood industries. The first stage of the project is planned to be finished by 1964.

Our Delhi Letter

Cost of the Coal Muddle

FOR quite some time now the coal "muddle" has been engaging the attention both of the industry and the Government, since shortage of coal has become one of the main bottlenecks in the industrial development of the country. Recently the Federation of Indian Chambers of Commerce and Industry conducted a survey of the supply and movement of coal and coke in the country. Even allowing for a certain amount of error which is inevitable in such a survey, it gives a fairly correct picture of the shortage of coal and its effect on production.

Through a questionnaire the FICCI collected information from 221 industrial consumers and six suppliers of coal and coke. The results revealed that the shortage of coal is more wide-spread in the Western and the North-Western regions of the country. An analysis of the distance at which industrial units are situated from the supplying collieries indicates that the largest number of sufferers—88 units—are situated between 1,000 to 2,000 kilometers from the supplying centres. Fifty-six units lying within 250 kilometers of the supplying collieries have complained of shortage of coal. The textile industry—with 81 units complaining of coal shortage—is the worst victim, followed by engineering (47), chemical (20), and food processing and dairying (13) industries.

Except eight units which have reported an excess availability of between four to 100 per cent, all others have stated that they are subsisting from hand to mouth. While 42 units have no stock at all, 41 units have stocks for seven days or less. Stocks vary from half a day's consumption to 180 days' consumption in the case of 138 factories. However, only those units have maintained stocks for over 60 days which are of a seasonal nature and where, if production is suspended even once, it takes about two months to re-start the furnace. Even these factories are reported to be maintaining stocks which are much less than what they should normally keep. The position of coke supply is even worse.

The survey revealed that on an average the requirements of wagons of factories were 10 to 15 per cent higher than the sanctions and the actual availability has, on an average, been nearly 25 to 30 per cent lower than the sanctions. Shortfall in the actual availability of wagons compared to the number sanctioned is highest in the Western region, ranging between 15 and 63 per cent. However, proximity to the coalfields is not much of an advantage as units in the region complain of shortages ranging from 4 to 71 per cent. As a result of shortage of coal, 105 units reported slowing down of production ranging from one day to nine months. In a majority of cases the slowdown continued for a period of two to three months at a stretch. The average loss of production has been 20 to 25 per cent. Forty-three reported suspension of production, 34 complete and nine partial. The period of shutdown ranged from a minimum of two days to a maximum of 100 days. Only medium and small scale units are included among the industries surveyed by the FICCI.

Sub-Standard Coal

One of the main reasons which compel industries to slowdown is that in many cases the supply of coal has been sub-standard. There are complaints that black stone and slate are being liberally mixed in some of the consignments. To meet the shortage of coal many units have taken to alternative fuels like wood, bagasse and furnace oil. But this has resulted in an increase in the cost of production, varying from two to six per cent in the case of units using furnace oil, which is about 160 per cent costlier than coal. Units using wood are hardly in a happier position since enormous quantities of wood are required to generate the same calories of heat as generated by a much smaller quantity of coal. In some cases the cost of production has gone up by as much as 15 per cent. Movement of coal by road and rail-cum-sea is also adding to the costs. The extra cost of haulage by road in some of the representative cases comes between Rs 10 to 16 per ton. Only five units are reported to have started receiving coal by the rail-cum-

sea route. The difference in freight charges per ton by rail and by rail-cum-sea is Rs 23 for Gujarat, Rs 48 for Mysore, Rs 51 for Andhra and Rs 39 for Madras. None of them has, so far, received the proposed subsidy of Rs 6 per ton.

Replies from suppliers of coal confirm that transport is mainly responsible for the present situation. The raising of coal in the collieries of the members of the Indian Colliery Owners' Association and the public sector National Coal Development Corporation reached the peak figure of 55.24 lakh tons in March but subsequently it had to be curtailed to 45.40 lakh tons in April and 45.99 lakh tons in May due to shortage of wagon supply. The pit-head stock of coal grew from 3.42 million tons in January to 4.81 million tons in March and in May it was 4.75 million tons.

As is clear from the findings of the survey, the coal situation is grave. On a rough estimate, shortage of one million tons of coal results in a loss of production worth Rs 40 crores. But from all accounts there is no shortage of coal. The difficulty lies with the railways. Against the requirements of 7,100 wagons per day for coal transportation, the Railway authorities have promised 5,230 wagons but actually the number of wagons available has not exceeded 4,750 wagons.

Meeting under the lengthening shadows of the coal supply crisis, the two-day conference held in the Capital last week, did not produce any material results. It heard

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the homilies of Sardar Swaran Singh and the consumers' representatives criticised the "dumps" scheme and poured wrath on the Coal Controller, who, having no power to deliver the goods, behaves like a petty shopkeeper in the allocation of wagons. The lack of earnestness of the Railways to meet the situation was revealed by the re-

presentative of the Railway Board who asked consumers of coal to indicate their requirements for the next three years and said that once these demands were forwarded no revision or adjustment would be permitted by the Railways. However, he had to beat a retreat in the face of strong opposition to the proposal from every quarter. The

fact remains that in case of coal the Railways' performance has been very poor. The late Feroze Gandhi once calculated that our goods trains move slower than bullock carts. There must be some truth in this. Now the Railways, coupled with the shortage of power, are becoming the biggest drag on industrial growth.

From the London End

Government and Anti-Bomb Campaign

THE mounting discontent with the Conservative Government's policy of drift to war was dramatically illustrated by the massive demonstration in Trafalgar Square on Sunday in support of the 'sit down' protest of the 'Committee of 100'. That the Government was getting seriously concerned about the growth of the movement in support of nuclear disarmament was made obvious by the harsh sentences passed on Bertrand Russell and other supporters of nuclear disarmament and the revival of a three hundred years old statute of Edward III to imprison the 89 year old philosopher, which though perfectly legal, had an effect opposite to that which the Government had expected and drew protests from many liberals who, though not necessarily in sympathy with unilateral nuclear disarmament, were shocked and disgusted by what seemed to be a callous disregard for the right of people to protest peacefully against policies with which they are in disagreement.

Determined to break the protest movement the Government issued the Public Order Act of 1936 banning any meeting on Sunday by the 'Committee of 100' in Central London. This was followed by an intensive propaganda campaign against the demonstrators who, however, can no longer be dismissed as a handful of cranks. Undeterred by threats of summary arrest of anyone who appeared at the Square, the campaigners said that they would defy the ban on meetings and were confident that more than 10,000 people would court arrest by marching into Trafalgar and Parliament Squares. In the event, the turn-out exceeded even the high hopes of the campaigners. The movement for peace and against

the Government's foreign policy, combined with a grave concern over the threat to civil liberty, resulted in a turn-out which, according to some eye witnesses, was one of the largest meetings held in Trafalgar Square since the war. It is always difficult to estimate accurately the size of a crowd in Trafalgar Square. The only hard statistics available are that 4,000 policemen were on duty on Sunday right up till midnight and a total of 1,300 arrests were made.

Most sections of the conservative press tried to play down the success of this meeting. "Victory for the Police", said one daily paper on Monday morning! It is true that there was no 'sit down' demonstration in Parliament Square, but that was because the campaigners were determined to make a non-violent demonstration. Despite the police vans, the damp pavements and the revival of special laws, the crowds kept pouring into Trafalgar Square and at 5 p.m. the leaders of the demonstration, among them the poet and art critic, Sir Herbert Read, marched up to the plinth and at a sign from the Committee's acting secretary, hundreds sat down in the Square. Both the demonstrators and the police were non-violent and as they were picked up, the demonstrators went limp and were hustled into police lorries.

A list of some of the people arrested indicates the calibre of the supporters of this movement. John Osborne, Vanessa Redgrave, Alan Silitoe, to name but a few, were among the arrested. If the main object of this demonstration was to draw the public's attention to the dangers of the drift to war, the Committee has certainly succeeded in its purpose. The newspapers and

radio have been full of news of the demonstration and independent television even scrapped its own programme and recorded live television in the Square itself. In the general atmosphere of apathy and the feeling that events are beyond the control of the ordinary man, the Trafalgar Square demonstration is a beacon of hope and is, besides a reaffirmation of the determination of people to oppose, despite intimidation, any threat to their civil liberties.

Plain Speaking at Accra

On Monday discussions between Britain and members of the Commonwealth started in earnest on the vital question of Britain's association with the Common Market and the effect that this was likely to have on the Commonwealth. It is understood that the British Government was greatly taken aback by the serious misgivings of Commonwealth countries over Britain's proposed association with the E.C.M. These misgivings were voiced in no uncertain terms at the Accra meeting of Commonwealth Finance Ministers. The obvious concern of the older members of the Commonwealth was voiced by the Canadian Finance Minister who said quite bluntly that Britain's good intentions were not enough. The U.K. was now on a slippery slope, he said, and there was no possibility of withdrawal of negotiations with the Six. No solution in Europe which would leave the existing Commonwealth trade relationships unaltered was conceivable. The question was whether the Commonwealth and all it implied should be given up for the illusory shadow of "who could tell what". The Australian delegate also expressed the great apprehension of his Government,

maintaining that the U.K.'s assurance to the Commonwealth, though well meant, would be impossible to implement. If a mutually advantageous bargain between the U.K. and the Six could be achieved, the Commonwealth would undoubtedly have to pay the price. As for the developing countries in the Commonwealth, it seems clear that most of them — the West Indies is an exception — will have nothing to do with any proposal that they accept the status of associated overseas territories. In fact at Accra Shri Morarji Desai went so far as to say bluntly that India would not touch such a solution with a barge pole. The U.K. delegation was certainly taken aback in Accra by the frank public discussions of the views of the delegates on the effects of Britain's application

Conditions Laid down

To appreciate the background of the London talks, it is essential to understand what happened at Accra. It is certain that Britain found herself very much in a minority on the Common Market question, and paragraph 8 of the Communiqué issued at the end of the conference

says categorically that apart from Britain all other Commonwealth representatives expressed grave apprehension and concern regarding the possible results of the initiative taken by Britain. It seemed obvious also that each Commonwealth country was determined to assert its own right for special concessions and that Britain should not go away with the impression that it need bother only about African tropical products or New Zealand meat and dairy products. The basic issues which affect developing countries were outlined by Shri Desai who pointed out that the U.K.-Six settlement would be satisfactory only if the following conditions were satisfied:

- The range of products enjoying duty free entry was as large as possible.
- Suitable safeguards were provided to ensure that existing trade, dependent on preferences, was not abruptly disrupted, and a transition period of twelve to fifteen years was agreed upon.
- Quota restrictions applied

Letter from Japan

New Support for Neutralism

PROFESSOR Reynolds, an American visiting professor of physical anthropology at Hiroshima Women's University, will soon sail in his yacht with his wife, son and daughter to Vladivostok to protest to Khrushchev personally against the recent hydrogen bomb tests by the Soviet Union. Sometime back he was imprisoned in Hawaii for trying to sail his yacht into the area of the Pacific where the Americans carried out their last atomic tests. In Japan he has been an official American delegate to the Gensuikyo, the Japan Council against Atomic and Hydrogen Bombs. But recently when some members of the Gensuikyo formed a new anti-hydrogen bomb association, under the leadership of the President of St Paul's University, to oppose all — and not just American — hydrogen bomb explosions, Professor Reynolds was invited to address the new organisation. For accepting the invitation he was expelled from the parent association.

Professor Reynold's expulsion from the Gensuikyo has received much publicity in the Japanese newspapers and has exposed the Gensuikyo as essentially a communist-backed organisation. The Japanese people are concerned over the resumption of atomic tests by the two Great Powers. For the first time since the War they are now putting the Soviet Union and the United States in the same category of power-drunk nations prepared to explode hydrogen bombs to bolster their own national prestige. Suspicion of both the United States and the Soviet Union seems to be gradually replacing the hitherto predominant anti-American attitude. The change in the people's attitude was reflected in the poor attendance at the Soviet trade fair held here recently.

Japanese Attitude

In an attempt to retain the large public support it has hitherto received, the Gensuikyo has called for

by some of the Six were eliminated.

- The European Common Market, after U.K.'s entry, took into account the existing large U.K. duty free imports from the Commonwealth.

The vehemence of Canada's opposition certainly came as a shock to the British Government who had apparently got the impression from Mr Duncan Sandys' recent visit to Canada that the Canadians were not entirely opposed to British membership. The main value of the Accra Conference from the British point of view is that the Government now feels that they have been alerted in time about the extent of the concessions it must get from the Six and about the strength of feeling among other Commonwealth countries on this issue.

At the London meeting Britain hopes to hold bilateral discussions with individual Commonwealth countries in which the specific trading interests which each country wants to see protected will be gone into in greater detail.

"Joint international action against nuclear war and nuclear tests and for total disarmament" between September 15 and October 15. In an attempt to show over their refusal to protest against the recent atomic tests by the Soviet Union and their unwillingness to take an unequivocal stand against all atomic weapons, they are now concentrating their opposition against the entry of atomic weapons into Japan. They argue that the Soviet Union was forced by the world situation to resume the tests. But the fact that a sincere campaigner against all atomic weapons, like Professor Reynolds, has been expelled from the Gensuikyo has had a deep influence on the Japanese people's attitude towards the Gensuikyo.

The resignations from another important left-wing association, the Japan-Soviet Society, is also regarded as a reflection of the change in people's attitude. Dr Seiji Kaya, a Vice-President of the Society and

President of Tokyo University, has resigned on the grounds that without proper consultation within the committee, the Society issued a statement justifying the Soviet hydrogen bomb tests as "inevitable under the current situation". Three of the other six Vice-Presidents are also expected to resign for the same reason. Kaoru Ota, Chairman of *Sohyo* (Japanese T U C), is waiting only to consult his party before resigning. Even the Anti-Security Pact People's Council has expressed its opposition to the Soviet tests.

Symbol of Grave Peril

In these circumstances it was especially unfortunate that the United States should have decided to explode a bomb (even if only underground) within a week of the resumption of tests by the Soviet Union—thereby enabling both Great Powers to be tarred with the same brush. Nevertheless, the fact remains that during this past fortnight the Japanese people have had to make a fundamental reappraisal of their position in the event of an atomic war. The formal letters of protest that Prime Minister Ikeda has addressed to both the United States and the Soviet Union may really mark the beginning of a genuinely neutralist sentiment in Japan. If this is the case, it might ultimately bring about the withdrawal of all foreign troops from Japan and unite all Japanese behind a foreign policy of real neutralism based not on expediency but on conviction.

Some Americans in Japan see the weakening of Communist party influence over the front organisations mentioned above as implying a strengthening of pro-American feeling. I believe this to be a fundamental error. It is more likely that what we notice today is the beginning of a trend towards growing hostility to all big powers, who are guilty of conducting atomic tests, the fall-out from which poisons the atmosphere in neighbouring countries. The newspapers regularly give details of the increase of radioactive fall-out in every part of Japan. The fall-out from atomic tests is a simple, easily-understood symbol of the dangers of associating with one Great Power against the other. The Japanese are fully aware that merely by aligning with this bloc or that they cannot avoid the grave peril from atomic tests.

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Book Review

A Community Development Block The Micro View

Vipra

The Environs of Tagore by Hashim Amir Ali, Asia Publishing House, Bombay, 1960; Pp 136, Rs 12.50.

IT is now generally recognised that in the process of democratic planning, on which India has embarked, the active participation of the people and of various units of local self-government in both the formulation and implementation of the national plan is a vital necessity. During the Second Five Year Plan period, with the extension of the community development programme to nearly two-thirds of the villages, the development block has come to be recognised as an important unit of planning and democratic decentralisation, which is neither too small nor too large. The Third Five-Year Plan states that an "aspect of community development work which has assumed considerable importance is the proposal that along with the district, the block should serve as a unit of planning and development" (p 334). It is admitted, however, that "although efforts were made in several States to prepare block plans specially in agriculture, in the main, the plans of States have been prepared independently of local plans" (p 334).

A survey of the resources of the area and the current socio-economic structure is an essential prerequisite if blocks are to serve as units of planning and development. A properly conducted comprehensive survey can help the block development team and the village level workers to chart out the guidelines for extension work and can provide the benchmark for assessing the success of the programme. The book under review illustrates the potentialities of a survey of this nature.

When Professor Mahalanobis invited Dr Amir Ali to undertake a study to ascertain possibilities of regional planning, the region around Visva-Bharati was a proper choice in view of the rich background of surveys conducted by Shantiniketan and Sriniketan, the institutes founded by Tagore. Dr Ali has done well in deciding to restrict the preliminary study to the

Bolpur NES Block having its headquarters at Sriniketan and his objective of providing "an example both for other NES blocks as also for regional units adjacent to other universities" (p 2) has indeed been fulfilled.

Not a Report

This book is not a report on a field study but simply an analysis of the data available from the 1951 Census Handbook for Birbhum District and the information collected by the staff of the NES Block in Bolpur Thana (Police Station) covering "an area of some 125 sq miles and a population of some 77,000" at Sriniketan, the Village Extension Department of Visva-Bharati. The main contribution of the book lies not in the data it presents but in the approach and method of presentation.

A little more than half the book is taken up by eight charts, twelve tables and forty-three maps. These visual aids are not only efficient substitutes for elaborate textual description but are also an excellent means of studying the ecological pattern of the region. The four chapters in the book include a brief discussion of the background of the study, a presentation of the salient points of the statistical data analysed, an examination of the record and potentialities of Sriniketan and the NES block and, finally, the author's suggestions regarding the priorities of development programme in the region and the desirability of similar studies elsewhere.

Like the author, the reviewer was pleasantly surprised to know that an aerial survey of a part of the region had been made. It is indeed regrettable that the mosaic prepared from the survey could not be obtained from the 'architect and regional planner' to whom it had been sent. Aerial photographs taken from aeroplanes are widely used in many Western countries and are valuable not only for military intelligence but also for preparing accurate surface maps and

demarcating physical or topographical sub-regions of an area.

Among the highlights of the statistical survey, we find that according to the 1951 Census, nearly 78 per cent of the land area in Bolpur Thana is cultivated, the percentage being the same for the district but only 58 per cent for West Bengal and about 43 per cent for the country as a whole. Further, 49 per cent of the land area in Bolpur is irrigated, 28.1 per cent having the advantage of canal irrigation. The figures supplied in 1957 by the Block Development Officer seem to suggest that after the construction of an irrigation canal from the Mayurakshi Project, nearly 37.5 per cent of the cultivated area is irrigated by canals alone, and other sources provide irrigation for another 26.5 per cent so that 64 per cent of the area is irrigated. Nearly 90 per cent of the cultivated land in the Thana is under paddy.

Of the total population of 77,440, 19 per cent lives in Bolpur town and the remaining 81 per cent resides in rural areas. With 87 per cent of the rural and 17 per cent of the urban population dependent on agriculture, the percentage of agricultural population in the Thana is 73. About 30.0 per cent of the population is literate, the percentages being 43.6 for Bolpur municipal area and 26.7 for the rural population (40.0 for the area of Shantiniketan University, which is included in the rural area).

Differences within the Block

While these figures for the Thana as a whole are interesting and useful for comparison with the situation in the District, the State and the country, the most important contribution of Dr Ali's study lies in focussing attention on variations within the NES Block. By regrouping the Census information for 170 *mouzas* into data for 13 Unions, corresponding to the Union Boards or units of local self-government, the wide differences within the Block have been highlighted. There is one village, Jadavpur in

the Bahiri Union adjoining Bolpur, where all households are reported to be owner-cultivators. A village with no landlordism and no hired labour must be, as Dr Ali remarks, "a village worth investigating" (p 27). Owner-cultivators were predominant, i.e. included more than 40 per cent of the population of the Union in the northern part of the Thana and in the Bahiri Union. If these variations are not due to differences in the accuracy of Census reports, they are likely to influence significantly the socio-economic relationships within villages and therefore the priorities in development programme of each village.

When the percentage of literates in each village is recorded on a map, it becomes evident that "the higher percentage of literacy is restricted to the north-western region while the villages with the lowest percentage of literacy are found mostly in the south-eastern portions" (p 28, Map 14)¹. When these facts are seen in conjunction with other maps of the region, a semi-circle of "six miles" radius with Santiniketan as centre . . . more or less covers the north-western sector of Bolpur Thana which shows a higher percentage of literacy . . . The same holds true when one considers the adult education classes, Bratibalka or Village Scout troops, Youth Clubs or free milk distribution centres (p 55 and Maps No 24 to 28). While this indicates the cultural impact of the ten centres of rural reconstruction work run by Sriniketan, covering 100 villages with close to 6,000 families and a population of about 27,000, it also suggests that the existence of the intervening railway line and Bolpur municipal area has hindered the extension of Santiniketan activities to the south-eastern section of the Thana.

An ecological explanation is also suggested that the north-western part of the Thana consists of "more or relatively higher and barren lands where communication is relatively easier . . . In the south-east portion, however, the lands are low-lying and consist mostly of paddy fields. For five months in the year, June to October, the villages of this

region are left entirely to themselves" (p 29 and Map 15). These differences in environments have tended to influence the psychology of the people, making them relatively enterprising in the north-west and lethargic in the relatively isolated south-east. This reminds one of the great importance of building all-weather roads and other efficient means of communications for vitalizing India's rural life.

A reference is made to the "slippery" undertaking of ascertaining literacy and the imperfect scales of measurement of literacy. The comment that the literacy figures in the 1951 Census have to be accepted "with considerable latitude" is indeed true.² Results of the verification check proposed to be undertaken in 24 villages reporting the highest and the lowest percentages of literacy, by teacher-students of the Teachers' Training College attached to the Visva-Bharati, should throw light on this subject.

Data collected by the N E S staff on various items, such as the distribution in the Thana of health personnel, religious leaders, teachers, artisans and craftsmen, social organizations such as committees and clubs, temples and mosques, schools and libraries, etc, have been mapped out and important issues relating to each have been pointed out in the text. The author has rightly emphasised the need for the N E S personnel to develop contacts with priests and *moulavis*, who might have a negative weight, to mobilise the services of teachers in planning development work and to study and develop various indigenous social groups and their spontaneous activities.

Use of Irrigation

While presenting the highlights of the data examined, the author has raised some penetrating questions. One, which might have very wide implications and relevance, pertains to the use of irrigation facilities. To quote: "The value of an irrigation project is to be judged not by the extent of area it can irrigate but by the extent of the area it can irrigate at the time when water is needed. And from this view-point, the irrigation provided

is proved to be only a partial blessing. It does not supply water in May and June when the *aus* paddy needs to be safeguarded in its early growth; and after the rains, when water would help the growth of the *rabi* crops the canals are dry" (p 22; emphasis in the original). Unless irrigation projects provide a perennial supply of water, their value, both as an insurance against drought and as means of intensive cultivation or double cropping may be considerably limited. Estimates of the production potential of and the likely return on investment from an irrigation project must take account of this factor.

A problem arises about water rates also. The Third Five Year Plan recommends that "in States where water charges are optional, there should be a compulsory water cess leviable on the entire area for which irrigation facilities are provided, irrespective of whether water is taken by cultivators or not". It is felt that such a levy itself "will be a factor in inducing cultivators to make timely use of water, thereby promoting increased crop yields" (p 388). Neglecting the adverse reaction of farmers to such a measure and the political capital that opposition parties would try to make of it, would such a policy be fair or equitable if the canals flow only when there is already water in the fields?

Considerable attention has been devoted to population growth in the Thana and it is suggested that "the highest priority" needs to be given to the problem of controlling the growth of population (p 106). This is an unimpeachable suggestion and deserves fuller discussion. Like the rest of the country, Bolpur Thana has shown a steady growth of population since 1921, and in 1951 the Thana had a density of more than 600 persons per sq mile. On the basis of a steady annual growth rate of 2 per cent, derived from the vital statistics for rural areas of the Thana supplied by the Assistant Health Officer of Bolpur, Dr Ali estimates the population at the end of 1958 to be 90,000 giving a density of 700 per sq mile. The assumed growth over the period 1951-58 of 16.2 per cent — 22.7 per cent if 4 or 5 thousand immigrants from East Bengal are included — is perhaps an underestimate, for, according to

the provisional population totals of the 1961 Census, Birbhum district as a whole shows a decennial growth of 35.7 per cent and a density of 824 per sq mile.

The author has perhaps been so impressed by the vital statistics for 1950-57 and the low incidence of epidemic that he thinks these figures "need no further comment" (p 25). The reported values of birth rates fluctuate between 35.5 (1955) and 20.0 (1950) per 1000 and those of death rates between 21.8 (1950) and 9.9 (1956) (Table 7, p 43). While mortality has declined substantially over the last decade and peculiar age-sex distributions can result in surprising values of birth and death rates, particularly in small areas, in a population in which contraception is not practised on any wide scale, large fluctuations in birth rates are unlikely and the reported data seem to suggest a substantial under-registration of births and deaths.

Further, since birth (death) rates are obtained by dividing the total births (deaths) during a given year by the estimated mid-year population, one can derive the mid-year population estimate used by dividing the number of births (deaths) by the reported birth (death) rate for the year. When this is done, surprisingly enough, mid-year population estimates used for the years 1953-1957 are nearly constant and smaller than those for the years 1951 and 1952. Such a situation can arise if there were substantial out-migration from an area, large enough to siphon off both the growth in population and a part of the base population. Since the vital statistics are for the rural areas of Bolpur Thana, all the growth in population and a part of the 1951 population could have migrated to Bolpur municipal area, the only urban place in the Thana, though probably not in a single year. In fact, the author has completely overlooked rural-urban migration within the Thana and movement of people looking for better economic opportunities at other places in the district (such as the Mayurakshi Project) or in the State (e.g. in Calcutta city). Another perplexing finding that the mid-year population estimate for 1952, derived from birth data, is nearly 6,000 higher than that obtained from death data leads one to suspect that the procedure

adopted for computing birth and death rates has probably been defective. It is unfortunate that Dr Amir Ali did not examine these data more carefully because "persons in charge of the administration as well as their entire subordinate staff were willing to answer" his questions (p 5) and since they expected "constructive suggestions" from him, he could have impressed on them the great importance of collecting accurate vital statistics.

Increase in Population

While discussing the "causes of increasing population" on page 24, the author admits that "the chief factor in this net increase has been the reduction in death rate", and he lists the eradication of malaria, the "introduction of antibiotics" and "the increase in the number of dispensaries and medical practitioners in the area" as responsible for the decline in mortality. Nevertheless, on page 106, while expounding the background of the population problem, the author laments that "political freedom appears to have conferred also the freedom to breed even more than we did before" (emphasis supplied). Dr Ali knows better. We are not breeding more prolifically. Thanks to the progress in public health the expectation of life at birth of an Indian has increased from about 32 years in 1946 to an estimated 47.5 years in 1961, and in the absence of a corresponding decline in birth rates, we are at the threshold of a further acceleration of the growth rate of population.

As regards the means of population control, the author supports the policy of providing vasectomy facilities to persons meeting certain eligibility tests. The acceptance, by the Government of India, of sterilization as a part of the family planning campaign and the prescription by various State Governments of certain tests for free provision of sterilization facilities should, therefore, satisfy Dr Ali. However the statement that ".....all other methods of birth control having proved failures, the Governments of Madras and Kerala are offering monetary inducements for persuading men to subject themselves to voluntary sterilization" (p 106 emphasis supplied) is not easy to swallow. Is a blank judgment, to the effect that "all other methods of

birth control have proved failures" permissible? Ten years, during which the family planning programme has been a part of governmental policy, seem too short a time to test the success or otherwise of efforts directed at modifying the behaviour pattern of a traditional society in one of the most intimate aspects of life. Whether the grant of about 25 rupees to a person undergoing vasectomy is a "monetary inducement" or merely a compensation for the loss of certain working time and incidental expenses is also a moot point.

It seems that the author is unduly pessimistic about the extent of popular knowledge about vasectomy. He writes that "if a census were feasible we would find that 99 per cent of even graduates and gazetted officers in India have not heard of the feasibility, of male sterilization" (pp 106-107). Perhaps this is a hyperbole. The following table taken from the Mysore Population Study³, a co-operative project of the Government of India and the United Nations, executed during 1951-52, shows the percentages of married respondents in Bangalore City who had a knowledge of the figures might prove a pleasant surprise.

Knowledge of Vasectomy among Married 20-45 yrs Bangalore City by Educational Level of Respondents		
Education level	Number of respondents	Per cent knowing vasectomy
Illiterate	204	7.8
Primary school	183	6.0
Middle school	178	9.6
High school	143	19.6
University	83	50.6

To estimate the number of persons who would qualify for sterilization under conditions specified by him, the author uses the survey data for a village in the Burdwan District in West Bengal. On finding that "12 per cent of the upper castes (males) have more than 3 children while the corresponding figure . . . for the lower castes is only 7 per cent", a hasty conclusion is reached that "to the generally accepted maxim that the poor tend to be more prolific, conditions in this village have to add a rider to the effect that there is a limit of

³ The study is in press and is expected to be published during the current year.

¹ The text mentions 'south-western' portions but that seems to be an error.

² Cf. Vipra, "The Indian Census of 1961: Need for Checks and Follow-up", *The Economic Weekly*, June 10, 1961.

poverty beyond which even the propensity to breed begins to decline" (p. 109). To put it mildly, this probably is *non sequitur*. The collected data seem to relate the children living at the time of the survey and to estimate the number of men who satisfy the condition of having "at least three living children." Prolificity, on the other hand, can be gauged by the number of children ever born. If unfavourable living conditions of the lower castes take a heavy death toll and the number of surviving children is smaller than among the upper castes, the "rider" that Dr Ali wants to add to "the generally accepted maxim" is, to say the least, unwarranted.

Consequences of Failure

To return to more general matters, the author thinks that Sriniketan has not succeeded in achieving more than what it has done because of the "unreality" of the situation in which "people, provided with funds by an Anglo-American couple with philanthropic intentions," were trying "to materialise a poet's dreams and attempting to influence the people of a region in which they themselves had scanty roots" (p. 52). Further, with the re-organisation of Sriniketan as the Village Work Department of Visva-Bharati and the advent of new institutions such as the Social Education Organiser's Training Centre, the Institute of Rural Higher Education and the N E S various activities need careful co-ordination.

Dr Amir Ali's fear that unless the N E S Block based at Sriniketan achieves more than other Blocks, it will be deemed a failure and "will reflect upon the Visva-Bharati and on the fair name of Rabindranath" (p. 58) is difficult to understand. But the observation that unless N E S programme allows for flexibility and is based on the needs felt in the region, "it has great chance of ending only in spectacular collapse when the five year period ends and Central and State finances are withdrawn" is certainly true.

Dr Ali's plea that various Universities should undertake studies of "the problems of the villages in the neighbourhood of the University through regional surveys" (p. 116) should receive wide support and

acceptance for it would give much-needed practical orientation to the teaching and research programmes of our institutions for higher education. The reviewer would add that if all the N E S blocks carry out surveys similar to the one by the Bolpur block, students for post-graduate degrees or PhD could be entrusted with the work of analysis.

Sterling Area Reserves

THE central gold and convertible-currency reserves of the Sterling Area rose by £ 369 million to stand at £ 1,245 million on August 31. This was announced by the British Treasury recently. The very considerable rise in the reserves during August, it is pointed out, is largely explained by the fact that, during the month, Britain received £ 518 million of the announced drawing from the International Monetary Fund. But during August Britain paid some £ 200 million in settlement of special assistance from other central banks which had been received earlier in the year—under

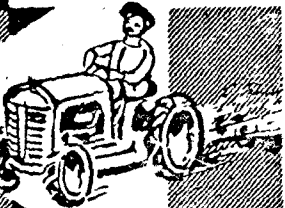
To conclude, this is an interesting and useful book which deserves careful study by students of sociology or economics and by persons engaged in the planning as well as the implementation of our community development programme. As "a preliminary assessment" for a pilot project in regional survey and planning, the book has more than fulfilled its purpose.

the so-called "Basle Agreement." There were also some other special factors during the month, including a payment by Britain of £ 10 million in respect of the European Payments Union bilateral debts.

Allowing for all special payments and receipts during the month, there was, therefore, a "true" rise in the central reserves during August of just over £ 50 million. This is certainly a satisfactory result, and reflects the continued strength of sterling during the month. The reserves are at their highest level since mid-1951.



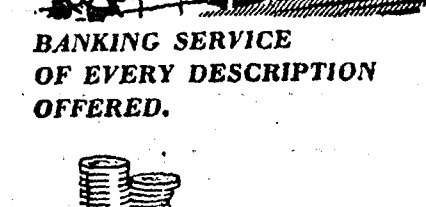
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Financing of the Corporate Sector

H P Chokshi

The study of the pattern of financing of the corporate sector attempted here shows that in the Second Plan period companies were largely dependent on external resources for financing capital formation.

This was a significant change from the position in the First Plan and earlier, when a major part of the increase in the resources of the corporate sector accrued from internal sources.

Important among the external sources of finance was borrowing from banks.

At a time when the Government is anxious to restrict the quantum of deficit financing with a view to curbing inflationary pressures in the economy, excessive dependence by the corporate sector on banks for finance can have very undesirable consequences.

Further, a large rise in the proportion of borrowed funds to paid-up capital is bound to weaken the equity base of the corporate sector.

ACCORDING to the Reserve Bank of India, the corporate sector includes non-financial Indian joint stock companies, banks, the Industrial Credit and Investment Corporation, non-life Indian insurance companies and also co-operative institutions. Indian subsidiaries of foreign companies are also included in the corporate sector but branches of foreign companies are excluded. Here, however, the term 'corporate sector' is used in a restricted sense to include only public limited companies for which alone the data required for the purposes of this study are available.

Internal financing in the corporate sector may be described as the use of undistributed or retained profits to meet the requirements of fixed or working capital. A company's internal funds consist of depreciation fund and free reserves including capitalised reserves. External financing, on the other hand, entails the use of resources outside the business of a company such as increase in subscribed capital, loan capital, debentures and deposits by the public and payables like tax accruals.

Internal financing is generally governed by the earnings of the company, the policy pursued by the company in respect of dividend distribution and the corporate tax policy of the Government. It should be remembered that the crux of the problem of financing the corporate sector lies mainly in the capacity of the companies to expand their internal resources. The availability of external resources itself largely depends upon the extent to which companies are able to self-finance their requirements. Therefore, it is the availability or other-

wise of internal resources that sets a limit to fixed capital investment by the companies.

Importance of Profit Retention

For self-sustained growth of the corporate sector, ploughing back of profits is of crucial importance. A company may plough back its profits for a number of reasons, for example, to safeguard itself against business cycles, to equalise the dividend rates, to make good deficiencies of depreciation, to create or strengthen a sinking fund to meet the debt liabilities and to provide a reserve for expansion. Of all these motives, the motive of creating a reserve for further expansion is of the greatest significance in the context of industrial development. For instance, while discussing the conditions of a dynamic economy, Mrs Joan Robinson stresses the importance of accumulation and investment and states that, "for the entrepreneur, the purpose of earning profits is not to indulge in consumption but to preserve and expand his business".¹ She further

points out that, "the paradoxical seeming pursuit of profits for its own sake has led to the development of an economic system which has proved not only viable but remarkably productive of wealth".²

In India the corporate sector is obviously expected to play an important role in the large-scale industrial development which is one of the main goals of the Five-Year Plans. The Planning Commission, while estimating the outlay on the industrial development programme in each Plan, has given due importance to corporate savings.

An idea of the importance of different sources of financing capital formation in the corporate sector prior to the First Plan, that is, before 1951, may be had from Table 1. The table shows the sources of funds for the financing of 448 (407 old and 41 new companies) between 1946 and 1951. During this period, the main sources of finance for the companies

¹ J Robinson, 'The Accumulation of Capital', p. 39.

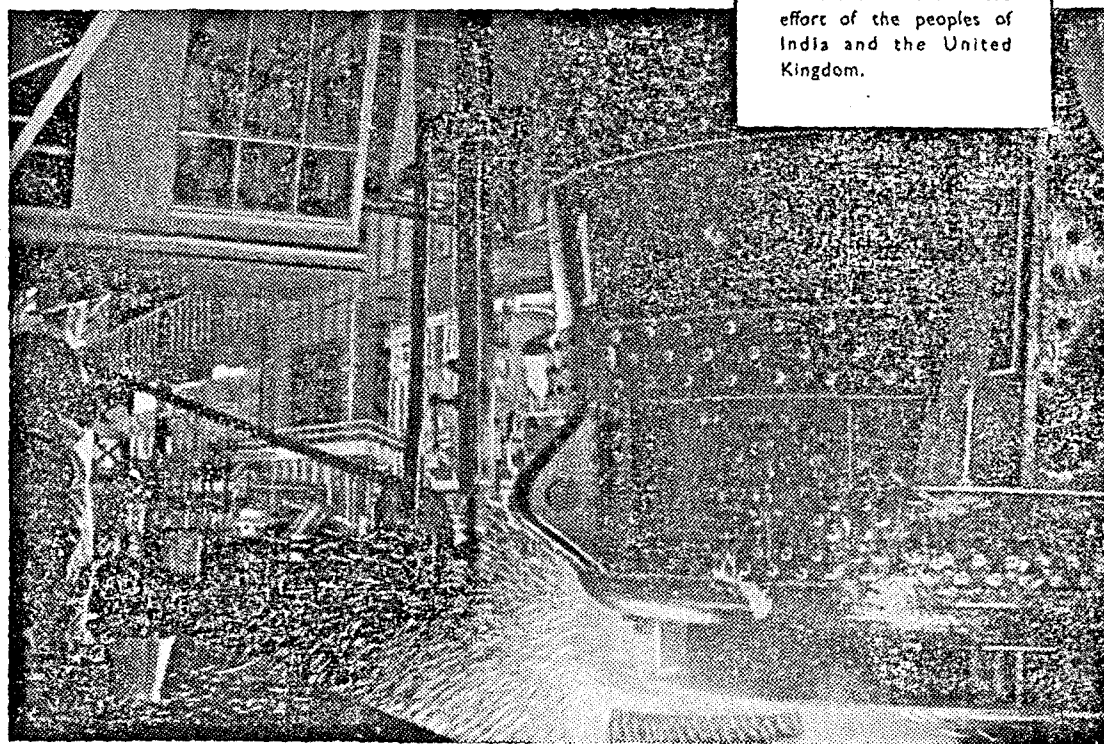
² Ibid, p. 49.

Table 1 : Sources of Financing Capital Formation by the Corporate Sector (Rs Crores)

	Liabilities in 1946	Liabilities in 1951	Increase	Per cent increase
		407 Cos	448 Cos	407 Cos
Paid-up capital	159	223	64	40
General reserve	41	62	21	51
Depreciation reserve	153	223	70	46
Taxation reserve	50	49	1	—
Development and other reserves	45	72	27	60
Borrowings	77	162	85	110
of which	(23)	(67)	(44)	(48)
From banks	533	852	320	60
Total				

Source : Report of the Taxation Enquiry Commission, 1953-54; Vol I, p. 114.

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were two : addition to paid-up capital, which amounted to Rs 86 crores, and borrowing, which accounted for Rs 95 crores. The increase in borrowing from banks amounted to Rs 48 crores, that is, one-half of the total increase in borrowings. The increase in internal finance, representing general reserve, depreciation reserve, and development and other reserves, amounted to Rs 124 crores. The increase in external finance, comprising increases in paid-up capital, taxation reserves and borrowing, amounted to Rs 181 crores approximately. The largest principal means of financing was borrowing.

An idea of the role of retained profits in financing companies during this period may be had from the following Table :

Table 2: Retained Profits of Companies, 1946-51

	492 Cos	438 Cos (excluding 54 new Cos)
		(Rupees Crores)
Fresh capital (including capitalised reserves)	53.0	35.4
Internal finance (total retained profits)	69.3	68.6
Retained profits as percent of total new finance	(56.6)	(66)

Thus, retained profits as percent of total new finance amounted to 56.6 for all companies (old and new) and 66 per cent for old companies. In the words of the Taxation Enquiry Commission, "corporate savings provided a larger source than new subscriptions, on the whole, in the financing of industrial expansion during the post-War period, including new companies; in respect of the older companies, corporate savings were even more important" (Vol I, p 115).

Change in Pattern of Financing

It would be interesting to analyse the trends in internal financing of the corporate sector during the two Five-Year Plans against the background of these facts. On the basis of the data made available by the Reserve Bank, the Department of Company Law Administration has estimated the quantum of profits retained by the corporate sector. According to their estimate, over the period of the First Plan, i.e., 1951-55, 750 public limited com-

panies increased the funds at their disposal by Rs 443 crores; of this, Rs 265 crores (about 60 per cent) came from internal sources and the remaining 40 per cent (Rs 178 crores) accrued from external sources.

Thus, during the First Plan period, the importance of internal resources continued to be the same as during the pre-Plan period. In the First Plan the largest increase took place in borrowing. Nevertheless, the important role of internal resources was clear. In 1951, the assets of companies included a larger proportion of inventories so that the increase in borrowing was more than accounted for by the increase in inventories. Against the increase in inventories amounting to Rs 117 crores, borrowings went up by Rs 95 crores, of which Rs 48 crores were from banks.

Coming to the Second Plan period, in the two years 1956 and 1957, 1,001 public limited companies increased their total funds by Rs 492 crores, of which Rs 160 crores (32.5 per cent) accrued from internal sources and Rs 332 crores (67.5 per cent) from external sources. For the remaining three years of the Second Plan, provisional data have been made available by the Reserve Bank. On the basis of these data, the following table has been constructed to show the shift in the resource pattern of companies during the First and the Second Plans:

Table 3 : Resource Pattern of Companies in First Two Plans

	First Plan (Per cent)	Second Plan (Per cent)
Internal resources :		
TOTAL	60	40
(i) Depreciation reserve	29	22
(ii) Capital reserve	6	1
(iii) General & other reserves	17	15
(iv) Taxation reserves	8	2
External resources :		
TOTAL	40	60
(i) Paid-up capital	7	12
(ii) Borrowing :		
Total	17	31
of which		
(a) From banks	6	15
(b) Mortgages	5	2
(c) Debentures	2	—
(d) I F corporations	NA	1
(iii) Trade dues, etc	16	17

Thus, during the First Plan period, a major part of the increase in the resources of the corporate sector accrued from internal sources. The ratio of additional internal resources to additional external resources was 3:2. In the Second Plan however, this ratio changed to roughly 1:2. This shows a clear shift in favour of the external sources of finance. As pointed out above, during the First Plan, there was a large increase in borrowing, indicating a change in the financial structure of companies. This trend seems to have gathered momentum in the Second Plan period and the increase in borrowings from the banks was little short of phenomenal. During the First Plan, when the average annual rate of fixed asset formation was about 9 per cent, internal sources provided as much as 60 per cent of the total funds. Of the 40 per cent provided by external sources, only 6 per cent came from banks. During the Second Plan, though the rate of fixed asset formation doubled (it was approximately 18 per cent), internal sources provided only 40 per cent of the funds of the companies. Of the 60 per cent provided by external sources, the share of the banks was 15 per cent as against 6 per cent in the First Plan. Total borrowings, including bank loans, amounted to 31 per cent as against 17 per cent in the First Plan.

Vital Implications

The growing reliance of companies on banks for finance raises some issues of crucial importance. At a time when the Government has cautiously curtailed the volume of deficit finance to curb inflation, the growing reliance of industries on bank money may offset the restriction of deficit financing by the Government. During the Second Plan period, restrictions on bank advances had to be imposed to control inflationary trends in the economy. Further, if the trend of growing reliance on bank loans continues, the ratio of borrowed capital to paid-up capital may change significantly, thereby weakening the equity base of the corporate sector.

In a planned economy the problem of availability of finance to the corporate sector is of crucial importance. In the U K, approximately 50 per cent of the total finance required by the corporate sector in the

last few years was found from internal resources; in Japan it has been about 33 per cent; in the U S A it has been higher, being on the average about 60 per cent in the last few years. In India the share of internal resources was 60 per cent in the period 1951-56; it slumped to 37 per cent in 1956 and to less than 27 per cent in 1959. There has been a corresponding and sharp rise in the use of bank money.

This is by no means a desirable trend. Often, the cost of external finance is considered in terms of interest charges alone. But the companies may have to pay heavily in non-monetary terms, for example, by becoming beholden to creditors; by having to dilute the per-share-earnings of the company; by having to share control with new stock-holders. The larger the amount of external finance, the greater will be these non-monetary costs. Also, excessive reliance on external resources may not always enable the corporate sector to build up a sound financial structure. As mentioned above, it may weaken the equity base of companies. Also, it may be inflationary, if bank credit forms the bulk of external finance.

Interesting Projection

As regards the likely trends in internal financing in future, an interesting projection of the growth of corporate profits has been made for the Third Five-Year Plan period.³ It has been estimated that "corporate incomes which stood at Rs 220 crores in 1957-58 should rise to Rs 280 crores in 1960-61 and Rs 480 crores in 1965-66. At the current rate (i.e., 45 per cent), collections should amount to Rs 126 crores in 1960-61 and Rs 216 crores in 1965-66". Also, if the tax receipts from the foreign companies and Section 23-A companies are added to the estimated figure of Rs 216 crores, it may roughly come to a minimum of Rs 225 crores. Profits after tax will thus be about Rs 150 crores in 1960-61 and Rs 255 crores in 1965-66. If the companies are able to retain at least between 40 and 50 per cent of their profits after tax, then alone will they be able to maintain a high enough tempo of self-financing. If they

³ I S Gulati 'Resource Prospects of the Third Five-Year Plan', 1960; p 14.

fail to achieve this, the growth of the corporate sector may not be able to keep pace with the overall growth of the economy. This may

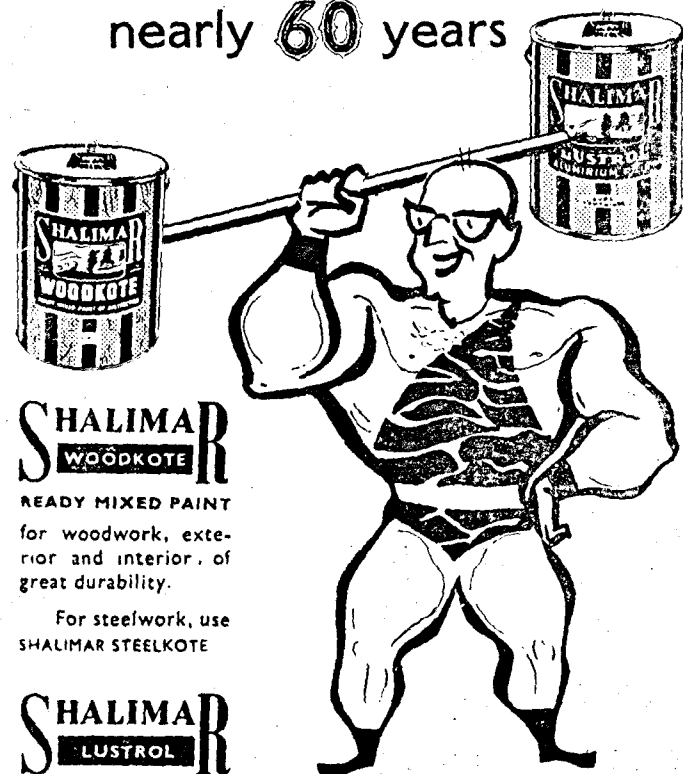
defeat the objective of creating a self-reliant corporate sector and a self-sustaining economy over a period of time.

Sugar Production by Co-operatives

OUT of 174 sugar factories in production in the country in 1960-61, as many as 30 were in the co-operative sector. The production of the co-operative sugar factories totalled 4.35 lakh tons or 14.72 per cent of the total national production of 29.54 lakh tons. To help the co-operative sugar factories, the limit of Government contribution to the share capital has been raised to Rs 25 lakhs.

The programme for the co-operative processing of other agricultural commodities during 1961-62 includes the setting up of 8 cotton ginning mills, 2 rice mills, 75 rice hullers, 4 kutchu jute baling units, 5 oil-crushing units, 11 groundnut decorticators, 10 fruit canning units and 35 others. A provision of about Rs 89 lakhs has been made in the State plans for 1961-62.

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Inflation Not a Monetary Phenomenon?

Promode K Mukherjee

The cause of inflation, according to Keith B Griffin (The Economic Weekly, Special Number, 1961) lies in the structural imbalances in an economy.

While granting this, it is contended here that it does not follow that monetary policy has no role to play in combating inflation.

It is not enough to achieve an overall balance between output and demand; it is also important to secure an increase in the output of basic consumption and investment goods.

A well-conceived monetary policy is of crucial importance in discouraging outlay and consequent income creation in wrong directions.

Further, an increasing proportion of the income generated in the process of development will go to augment bank deposits, thereby increasing the capacity of the banks to create credit.

In the absence of a restrictive monetary policy, a serious credit inflation may consequently ensue and distort the ideal relationship envisaged by Griffin between output and expenditure.

Thus, a phenomenon not primarily monetary may ultimately become largely monetary in character.

ACCORDING to Mr Griffin, inflation results "if either desired consumption of necessities is greater than the supply of these goods, or if non-essential consumption out of surplus plus total investment expenditure is greater than actual surplus, or if desired private investment is greater than the share of savings allocated to it by the Planning Board. Price increase can be restrained only by controlling each of these structural elements; general monetary measures will not be efficient".

Nobody will dispute the fact that there is a good deal of structural imbalance in an under-developed economy and that such imbalance is the main cause of inflation that results in the process of economic development. Broadly speaking, such imbalance may be described thus: low supply elasticity of real output accompanied by a high average and marginal propensity to consume leads to very large consumption demand and the resultant situation is one of inflation.

But to say that since inflation is primarily a problem of structural imbalance, monetary measures will not help, is perhaps to over-simplify the matter. Briefly speaking, the way in which inflation appears in the process of economic development may be described here. Economic development means increase in investment outlay. This results in rise in money incomes because of increased employment and in rise in prices because of the pressure it exerts on the limited resources in the economy. This initial rise in

prices, however, continues to be aggravated by the increased expenditure following the increase in incomes and the increased incomes following the rise in prices. What is important to prevent inflation in this situation is to secure an increase in the output of basic consumption goods and basic investment goods, the former being useful in the immediate short period and the latter being effective in the longer period. It is not enough to have a balance between output and expenditure as a whole. Any increase in the output of non-essential consumption goods, i.e., an expansion of the L sector, according to Mr Griffin's terminology, or any increase in the utilisation of investment goods in the non-essential consumption goods industries or investment goods industries will aggravate the inflationary spiral. All this is implied in Mr Griffin's argument. But the question is how to prevent the expansion of the L sector at the cost of basic consumption goods or basic investment goods.

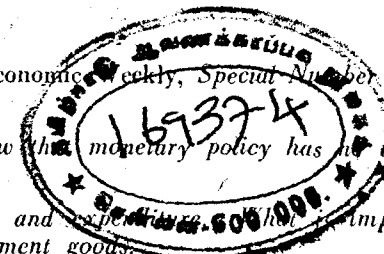
Role of Monetary Policy

Here lies the need for a well-conceived monetary policy aimed at discouraging outlay and consequent income creation in the wrong directions. Such a monetary policy must necessarily express itself in the form of selective credit controls and, if necessary, other quantitative restrictions.

Moreover, what Mr Griffin has completely overlooked is that an increasing proportion of the income generated in the process of develop-

ment will go to the banking system in the form of deposits. Indian experience in recent years will show that there has not only been a steady increase in the growth of deposits but also a shift from current to fixed deposits over the First and Second Plan periods. With large deposit resources, banks may be — as they have been in India — over-generous in granting credit. In the absence of a restrictive credit policy involving suitable checks against the flow of credit in undesirable channels, a serious credit inflation may ensue and distort the ideal relationships envisaged by Mr Griffin between E and O, L and Sr and Ip and Is. The inflation which was not initially caused by excessive credit expansion may soon be converted into a credit-based inflation and once this happens, greater investment and greater credit will feed each other in the succeeding periods leading to an endless inflationary spiral. A phenomenon not primarily monetary will thus become very largely monetary in character.

Mr Griffin's apotheosis of inflation rests on the assumption that there will be a redistribution of income in favour of profit-earners who, with their relatively higher marginal propensity to save, will help further capital formation. But in a situation characterised by a continuous rise in prices, there can possibly be no guarantee that profit-earners will always choose to save rather than consume because in such a situation the marginal utility of savings fast depreciates in the eyes of the saver. Even if it is assumed



that profit-earners will save and invest, it does not follow that investment will always take place in the desired directions. To achieve this a bold monetary policy is necessary to encourage investment in the basic consumption goods industries or basic investment goods industries. Credit policy needs to be fully integrated with plan priorities. It may

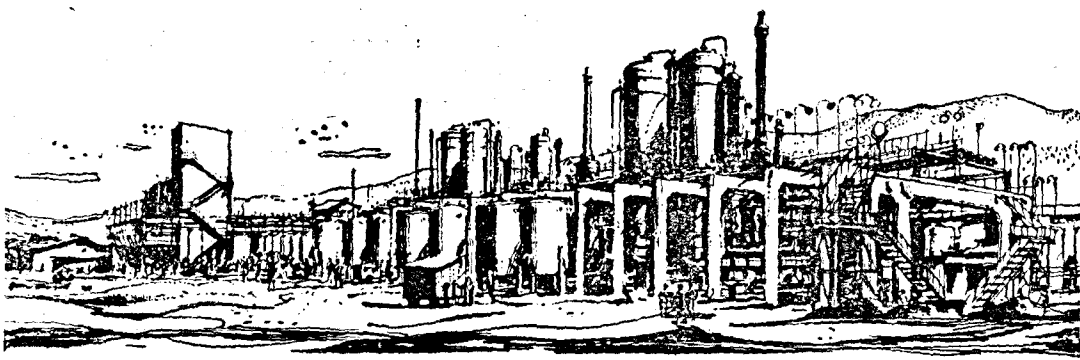
be pointed out here that while the index of industrial production recorded the highest increase during 1959, a smaller portion of secured additional bank credit between the end of October 1959 and the middle of February 1960 was granted against industrial raw materials and manufactured goods than in the same period of the preceding two

years. In these two years about 83 to 84 per cent of the secured bank credit was against industrial raw materials and manufactured goods. The ratio was only 63 per cent in 1959-60. This shows that the substantial rise in bank credit during the year was not fully in response to genuine demand arising out of increased industrial output.

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World Bank in International Aid

A Review

THE Year 1960-61 was the fifteenth year of the World Bank's operations. The Bank lent \$ 610 million during the 12 months ending June 1961. This was lower than the total of \$ 659 million lent in 1959-60 and \$ 703 million and \$ 711 million lent in 1958-59 and 1957-58 respectively. It must, however, be mentioned that the Bank's new affiliate, the International Development Association, which came into existence in September 1960, lent the equivalent of \$ 101 million, in addition to the loans committed by the Bank. Even so, the total of loans made by the World Bank and the IDA together in 1960-61 was only slightly higher than the annual average of loans by the World Bank alone in the preceding three years.

The Annual Report of the World Bank mentions two factors as being responsible for the lower level of lending operations of the Bank in 1960-61: (i) the increase in "other sources of public finance for development", and (ii) postponement of a number of pending loans beyond the end of the fiscal year for purely procedural reasons. While it is unfortunate that procedural difficulties should have held up the flow of much-needed assistance from the World Bank to the developing countries, the increase in "other sources" finance for development certainly need not lead to contraction in the scale of the Bank's lending activities since if the sources of assistance have increased in recent years so have the needs of the developing countries.

The loans made in 1960-61 raised the World Bank's total commitments, net of cancellations and refundings, to \$ 5,669 million. It is interesting to note that of this amount almost half has been committed during the past four years.

More than two-thirds of the Bank's lending is for basic investments in transportation and electric power. In the last few years particularly, transportation has emerged as the single most important recipient of World Bank assistance. In 1960-61 transportation loans accounted for \$ 311 million or more

than half of the amount of all loans. Loans for railway development made up the bulk of this total. Electric power loans totalled \$ 125 million in 1960-61 and loans for agriculture \$ 126 million. Loans for industrial development which totalled \$ 48 million constituted, as usual, only a small proportion of the Bank's total lending.

Small Increase in Funded Debt

Equally important is the success of the Bank in selling part of its loans to private investors. The total sales of Bank loans passed the \$ 1,000 million mark in 1960-61. These sales, whereby investors buy Bank loans already outstanding or purchase participations in new loans are significant insofar as they help to attain the objective of promoting international investments emphasised in the Bank's Articles of Agreement. In all, nearly one-fifth of the Bank's loans have been sold to other investors by the end of June 1961. In 1960-61, while disbursements on

loans amounted to \$ 398 million, the amount of the outstanding funded debt rose by nearly \$ 155 millions. The increase in funded debt in 1960-61 was the smallest ever.

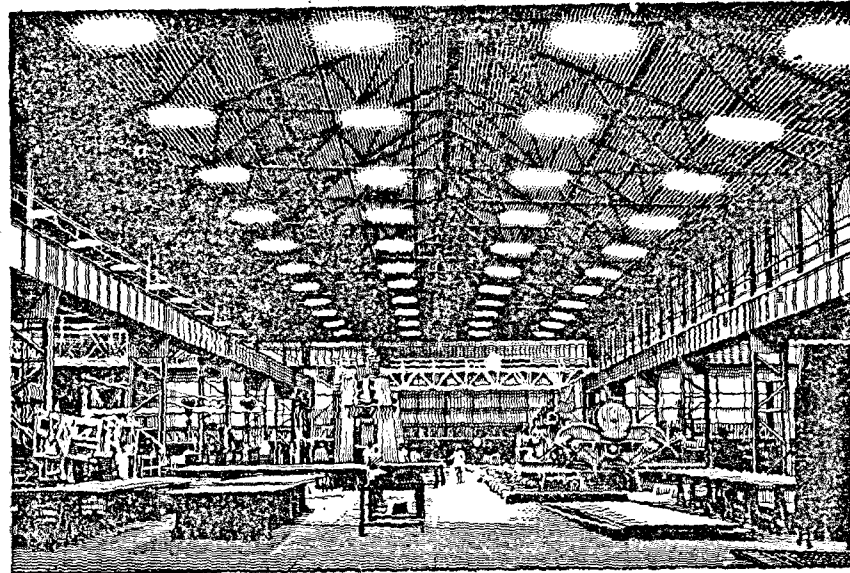
New borrowings by the Bank in 1960-61 totalled \$ 321 millions, though of this amount less than \$ 139 millions had been drawn down. As on June 30, 1961 the Bank's total funded debt amounted to \$ 2,228 millions of which nearly half was held by investors in the U S, and the rest by investors in some 40 countries.

In the field of technical assistance 1960-61 saw the highest level of activity yet reached by the Bank in providing help to its members through general economic surveys. The Report records a wide range of technical assistance activities throughout the world. During the year the reports of survey missions to Libya, Tanganyika, and Venezuela were published and the report of the mission to Uganda was in

World Bank Loans in 1960-61
(Million U S dollars)

Country	Purpose	Amount
Argentina	Transport — roads	48.5
British Guiana	Agriculture	1.3
Burma	Transport—railways	14.0
Ceylon	Power	15.0
Chile	Transport—roads	6.0
Columbia	Power	22.0
	Transport—railways	5.4
Costa Rica	Power	8.8
El Salvador	Power	3.8
India	Industry — development bank	20.0
	Transport — railways	70.0
Israel	Transport — port	27.5
Japan	Industry — steel	6.0
	Industry — steel	7.0
	Power	12.0
	Transport — railways	80.0
Mexico	Agriculture	15.0
	Transport — roads	25.0
Norway	Power	25.0
Pakistan	Agriculture	90.0
	Industry — development bank	15.0
Panama	Transport — roads	7.2
Peru	Transport — roads	5.5
Sudan	Agriculture	19.5
Thailand	Transport — railways	22.0
Uganda	Power	8.4
Yugoslavia	Power	30.0
TOTAL		609.9

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preparation. A mission was in Spain and another was preparing to go to Kenya. As in the past the Bank worked in close co-operation with the U N Special Fund and acted as the executive agency for Special Fund projects in a number of countries.

Apart from directly providing economic and technical assistance to developing countries, the Report notes that much progress was made by the Bank in its role as the promoter of "international initiative" to increase the flow of development funds and to co-ordinate efforts to assist economic development. The Report mentions in particular the Bank's leading role in bringing about the settlement of the Indus-Waters dispute between India and Pakistan. Simultaneously, with the signing of the Indus-Waters Treaty,

an International Financial Agreement was executed in Karachi between Austria, Canada, Germany, New Zealand, Pakistan, the U K and the U S A and the Bank establishing the Indus Basin Development Fund to finance the construction of irrigation and other works in Pakistan, consequent on the Treaty settlement.

New Concept in Aid

More important were the efforts of the Bank to help meet the external financing requirements of the development programmes of India and Pakistan by bringing together the principal capital-exporting countries. As a result, the 'Consortium' countries undertook to provide \$2,000 million, or over one-third of the total foreign assistance requirement of India's Third Plan, in the first two years of the Plan.

The 'Consortium' undertaking in respect of Pakistan's Second Plan amounted to \$550 million in 1961, which is roughly equal to 30 per cent of the total foreign assistance required for the Plan over the five years.

The I D A is designed to aid economic development with credits bearing less heavily than conventional loans on the balance of payments of under-developed countries. It came into existence in September 1960 and by the end of June 1961 it had 51-member governments whose subscriptions amounted to a total of over \$900 millions. The I D A, as its Report says, began work at an opportune time, when in a growing number of developing countries the need for, and the ability to make effective use of, foreign capital was increasing faster than

World Bank Loans Classified by Purpose and Area

As on June 30, 1961

(Million U S dollars)

	Total	Areas				
		Africa	Asia and Middle East	Australia	Europe	Western Hemisphere
Grand Total	5,668.8	799.8	1,938.3	317.7	1,411.5	1,201.5
Reconstruction Loans	496.8	—	—	—	496.8	—
Development Loans	5,172.0	799.8	1,938.3	317.7	914.7	1,201.5
Classification by Purpose						
Power	1,740.9	186.4	479.3	29.3	388.0	657.9
Transportation	1,823.3	418.2	816.5	132.3	68.4	387.9
Railroads	956.0	263.2	520.9	37.3	2.3	132.3
Roads	480.6	87.8	112.0	50.9	—	229.9
Shipping	12.0	—	—	—	12.0	—
Ports and Waterways	253.8	17.2	164.0	—	46.9	25.7
Airlines and Airports	56.9	—	5.6	44.1	7.2	—
Pipelines	64.0	50.0	14.0	—	—	—
Communications	23.9	1.5	—	—	0.2	22.2
Agriculture and Forestry	496.3	50.7	169.5	103.4	87.8	84.9
Farm Mechanisation	121.1	—	—	89.4	2.0	29.7
Irrigation and Flood Control	306.5	35.0	154.9	6.0	73.3	37.3
Land Clearance; Land and Farm Improvement	40.9	13.7	13.6	6.0	2.1	3.5
Crop Processing & Storage	7.0	1.0	—	—	4.2	1.8
Livestock Improvement	12.6	1.0	1.0	—	—	10.6
Forestry	8.2	—	—	2.0	6.2	—
Industry	882.6	103.0	398.0	52.7	280.3	48.6
Iron and Steel	350.3	—	314.2	13.4	22.7	—
Paper and Pulp	113.7	—	4.2	1.1	88.4	20.0
Fertiliser and other Chemicals	57.0	—	—	0.3	56.7	—
Other Industries	94.0	—	5.2	23.7	58.8	6.3
Mining	149.0	101.0	—	14.2	12.0	21.8
Development Banks	118.6	2.0	11.4	—	41.7	0.5
General Development	205.0	40.0	75.0	—	90.0	—

the ability to service conventional loans. "The problem is compounded", says the Report, "by the circumstances of many newly-independent countries: they are not able to rely to the same extent as before on the financial support of the metropolitan powers, including guarantee of loans floated abroad; but they have not yet developed a credit standing of their own sufficient to enable them to borrow on the scale they require".

Up to the end of June 1961 the I D A had extended development credits totalling \$ 101 millions to four countries — India, \$ 60 millions for developing of roads; Sudan, \$ 13 millions for agriculture; and Honduras and Chile, \$ 9 millions and \$ 19 millions respectively, for development of highways. The credits were on identical terms — each for 50 years without interest. Though the credits extended by the I D A in the first year of its operation were not very large, the terms on which they were offered indicate that assistance by the I D A will be given on a basis strikingly different from that on which assistance has till now been available to under-developed countries.

U K's Steel Expansion Plans

THE installed capacity of the British steel industry, which increased to 25.7 million tons last year would reach the level of 30 million tons in 1962, according to the British Iron & Steel Federation. This would represent an increase of 17.5 per cent between 1960 and 1962 compared with 10.25 per cent in France, 9.5 per cent in Italy and 6.25 per cent in Germany.

The British steel industry spent \$ 900 million on its development programme since the war to achieve the capacity of nearly 26 million tons in 1960. In that year alone one-sixth of all the money (£ 780 million) spent by the manufacturing industry on the capital investment in the U K was absorbed by the steel industry. By 1965, the industry proposed to spend £ 450 million on development of which £ 150 million is expected to be spent in the current year.

Production of steel in the U K last year rose to the record level of 24 million tons, representing 93.5 per cent of the installed capacity.

World Bank Loans to India

(As on June 30, 1961)

(In millions of U S dollars)

Name of the loan	Date of agreement	Rate of interest	Period of loan	Amount net of cancellation	Repayments to begin on	Amount drawn
IBRD Loans						
(a) Public Sector						
Agriculture*	29-9-49	3½%	7 yrs	7.20	1-6-52	7.20
Railways I	18-8-49	4 %	15 "	32.80	15-2-50	32.80
" II	12-7-57	5½%	15 "	90.00	1-7-61	90.00
" III	16-9-58	5½%	20 "	85.00	15-1-63	85.00
" IV	15-7-59	6 %	20 "	50.00	15-1-63	50.00
" V	29-7-60	5½%	20 "	70.00	15-1-64	29.32
D V C I	18-4-50	4 %	20 "	16.72	15-4-55	16.72
" II	23-1-53	4½%	25 "	10.50	15-7-56	10.50
" III	23-7-58	5½%	20 "	25.00	1-8-61	18.59
Koyna	8-4-59	5½%	25 "	25.00	1-5-65	10.12
Air India	5-3-57	5½%	9 "	5.60	1-10-63	5.60
Calcutta Port	25-6-58	5½%	20 "	29.00	15-4-63	11.26
Madras Port	25-6-58	5½%	20 "	14.00	1-4-63	4.63
Total (a)				460.82		371.74
(b) Private Sector						
TISCO I	18-12-52	4½%	15 "	30.02	15-4-59	29.20
" II	19-12-52	5 %	11 "	20.00	15-4-60	18.14
TISCO I	26-6-56	4½%	15 "	75.00	1-12-59	75.00
" II	20-11-57	6 %	13½ "	32.50	1-10-60	32.50
Trombay I	19-11-54	4½%	20 "	13.95	15-10-58	13.08
" II	19-5-57	5½%	18 "	9.80	1-5-60	8.95
ICICI I	14-3-55	4½%	15 "	10.00	1-7-61	8.30
" II	15-7-59	Variable	10 "	10.00	1-10-62	1.45
" III	28-10-60	"	14 "	20.00	1-11-63	0.20
Total (b)				221.27		186.82
Total IBRD Loans				682.09		558.56
IDA Loan						
Road development	21-6-61	Nil**	50 "	60.00	15-8-71	NA

* Repaid

** A service charge of 0.75 per cent annually on the amounts disbursed and outstanding will be made to meet IDA's administrative costs.

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Around Bombay Markets

Dalal Street Trying to Stabilise

Thursday, Morning

THOUGH Dalal Street is still somewhat unsteady because of political uncertainties both at home and abroad, its overall trading pattern suggests that it has probably seen its worst in August. Vyapar's equity share index which had recorded a low of 134.29 on 29th August touched a high of 139.96 on 15th September. After receding to 137.57 on the 18th the index recovered to 139.28 on 20th September before closing at 138.74 the same day. While most shares suffered a sizable setback from their week's best levels, quite a few counters like A C C, Digvijay, Orissa Cement, Voltas, Alcock and Wimco showed marked strength and recorded sizable gains over the week. Support was still selective but it was more widespread than in the past several weeks.

Sentiment over the week-end appears to be unsettled but Dalal Street's performance seems fairly encouraging in face of the week's happenings. World stock markets were jolted by Dag Hammarskjöld's tragic death and anxiety about the international situation induced caution in the stock markets in India. The political situation in the Punjab continues to be fluid. Dalal Street last week had also to ponder over the Congress election manifesto. That the market's reaction to the election manifesto has been one of almost indifference is not very surprising because the manifesto contains little that has not already been known. If anything, the stock market has reason to feel happy that instead of imposing any outright ceiling, urban incomes are sought to be limited by taxation and other measures. The election manifesto gives a predominant role to the public sector but there is little doubt that the private sector has a significant role to play in the third Plan. The massive outlay in the third Plan holds out a bright prospect for investors in equities, particularly because of the continued inflationary pressures in the economy.

In view of the steep decline in equity prices since about the beginning of June, it is possible the mar-

ket may take some time before bullish fervour returns to it. But it is doubtful whether bears, who have been dominating the scene for a long while, will care to risk big fortunes at the current low levels in face of the flow of encouraging corporate news. The recent marked strength in cement shares reflects market's optimism about the impending increase in cement prices. The Tariff Commission has already submitted its report. And if the increase in cement prices turns out to be really substantial, the market might turn its attention to steel shares which have continued to be out of favour for long.

Oilseeds

Prices Stage a Rally

ONLY castorseed were further down last week; other oilseeds recorded an all-round moderate recovery. Castor futures (March contract) were marked down from Rs 163.25 to Rs 160.25 though the week-end closing was a little better at Rs 161.37 per 250 kgs. After a small early setback from Rs 205.37 to Rs 203 groundnut January improved sharply to Rs 210.37, reacted to Rs 206, firmed up again to Rs 208.62 and closed at Rs 208. Groundnut oil January showed a net rise of 50 nP per 10 kgs over the week at Rs 17. Linseed March recovered from Rs 36.19 to Rs 37.12, receded to Rs 36.44 and closed at Rs 36.59 per 50 kgs. Cottonseed January were up by Rs 3 at Rs 93.25 per 250 kgs.

In view of the preceding steep fall from Rs 225 to Rs 202, technical considerations alone could have produced the rally from Rs 202 to Rs 210.37 between September 7 and 18. But sentiment was greatly helped by fears of a possible downward revision of crop estimates because of the unfavourable weather in some of the important producing areas. Karnatak and Andhra reported paucity of rains while Saurashtra complained about lack of sunshine. Occasional rumours about early release of export quotas for groundnut, groundnut oil and expellers also contributed to the revival of bullish fervour. Linseed

seemed merely to follow the up and down movements in groundnut while the strength in cottonseed reflected the smart rise in cotton prices because of the substantial crop damage due to excessive and untimely rains. The continued weakness in castor futures reflects the disappointing export performance of castor oil. Hardly any important fresh business is reported to have been put through in castor oil in recent weeks. Total shipments of castor oil from Bombay up to 7th September are placed at 19.752 tons.

Though the weather has been causing considerable anxiety since recently, the groundnut crop has not so far suffered any material damage. It is still premature to estimate the crop, but the general opinion is that the crop is unlikely to be less than 26/27 lakh tons provided weather continues to be satisfactory in coming weeks. It is hazardous to express an opinion about the trend of prices till one can have a clear picture of the crop which will not be available until about the end of October.

Plea for Exports

The Bombay Oilseeds and Oils Exchange has urged the Government to release export quotas for groundnut H P S expellers and groundnut oil at the earliest to enable exporters to negotiate business and earn foreign exchange for the country. Export of groundnut HPS and expellers should not prove difficult but there seems little chance of selling groundnut oil in view of the wide disparity of £25 to £ 30 per ton in Indian and world prices of groundnut oil. The export incentive scheme for groundnut oil has not yielded any good results in the past, the benefit being quickly offset by a rise in domestic prices. The export incentive scheme for cottonseed cake has also yielded very poor results. Shipments from Bombay between June and August total only 4,818 tons as against 10,082 tons in the first three months of the year when there did not exist any incentive scheme. Despite improved supply, prices of groundnut oil and linseed oil are unlikely to come

down to around world parity. And incentive schemes cannot be expected to yield much results if exports are left in private hands. It is necessary to evolve some centralised agency—official or unofficial—if exports of oils are to be promoted and the cost of the incentive schemes is to be kept at the lowest.

Cotton

Prices Rise Further

WITH weather reports continuing to be unsatisfactory, cotton prices recorded further improvement last week. And the rise was more marked in spot than in futures. Jarilla March which could be had around Rs 595 early in the previous week touched a new high of Rs 614.50 on 19th September and the closing rate the next day was only a little lower at Rs 613.25 per 3 quintals. In ready, certain varieties like Bijapur, Baramati and Pandarpore have recorded a rise of about Rs 40 over the past ten days. And Khamgam was reported to have been traded at around the ceiling. The trade reported, a marked revival of spinner inquiry in new crop cotton based on ideas of substantial damage to the crop and the likely delay in its movement. Few market men now place the crop above 48 lakh bales and that too is based on the assumption that whether conditions will remain satisfactory in coming weeks. It is difficult to say how the crop will actually turn out but unless the crop falls below 48 lakh bales the trade and industry should be able to pull on well during the 1961-62 season and the authorities will not need to supplement domestic supplies by importing short-staple cotton.

Pakistan Cotton

The Government of India's announcement allowing import of Pakistan cotton worth Rs 150 lakhs has attracted little attention in the market. For one thing, the quantity is unlikely to exceed 30,000 bales. Besides, the prevailing prices of Pakistan cotton are considered to be on the high side and the trade and industry therefore are unlikely to evince much interest in that cotton in the immediate future. Pakistan NT cotton is quoted around Rs 1,025 at which price it is possible to buy better quality Indian cotton. African Jinja which is far superior to Pakistan NT is available around Rs 1,120. Apart from high

prices, the quality of Pakistan cotton is also believed to have been damaged by excessive and untimely rains. But since the quantity to be imported is small, fears of quality damage seem exaggerated. Even though the prospects for importing Pakistan cotton do not seem encouraging, the trade has welcomed Government's decision allowing the trade to participate in the import. This is perhaps the first time since the introduction of the export incentive scheme for textiles that the trade is being permitted to participate in the import of cotton.

The total quantity of cotton licensed for import in 1960-61 amounted to 11,77,507 bales of which sterling area cotton accounted for 3,43,337 bales, the rest being from the U.S. Out of 8,34,170 bales of American cotton, 6,95,648 bales consisted of cotton stapling 1 inch and below. Actual arrivals during the season totalled 10,01,672 bales made up of 3,59,997 bales of sterling area cotton and 6,41,672 bales of US Cotton.

Bullion

Open Market Sales — Why?

THE bullion market has been in the news for some time. It is not because the price of gold has risen to a new all-time high and there is no knowing how far the rise might go. The Reserve Bank of India is reported to have sold some 4,000 to 5,000 tolas of gold and 130 to 150 bars of silver (2,800 tolas each) which has led to all sorts of conjectures. The State Bank of India has also been mentioned as a seller of silver. Some market men say that these sales are on behalf of certain big clients but there are not a few who think that the sales of gold by the Reserve Bank represent confiscated stocks of smuggled gold. Reserve Bank's gold is said to carry the mark of Government's mint in Bombay. The lower fineness of silver sold by the Reserve Bank has encouraged the belief that it is the melted silver of the old silver coins which has been offered for sale.

Unless the recent sales by the banks are entirely on behalf of their big clients, they deserve serious attention. But even if the sales are on private account it is pertinent to ask why the Reserve Bank should at all associate itself with these sales because they are bound to give rise

to all sorts of conjectures. And rightly so. There is little sense in feeding the market with precious metals when the critical foreign exchange position demands that every possible effort should be made to attract stocks of gold and silver within the country so that they can be put to a better use. It has often been suggested that bullion prices should be kept on the low side through official sales in order to produce an anti-inflationary psychology. Whether lower bullion prices can generate that psychology is itself a moot point. But in any case sales will have to be very heavy indeed if they are to have any marked and lasting effect on prices. For the price of gold has continued to move up and up year by year despite the sale of Rs 50 crores to 60 crores worth of smuggled gold a year.

After keeping slightly subdued early in the week bullion prices firmed up again and showed moderate gains over the week. Gold Bhadrava delivery eased from Rs 124.70 to Rs 124.05 but only to rise again to a new all-time high of Rs 125.75. Wednesday's closing was a little lower at Rs 125.30. Magsar delivery was quoted 5 to 10 nP higher. Silver was relatively subdued. After easing from Rs 203.10 to Rs 202.40 the quotation for Bhadrava delivery improved to Rs 203.90 and wound up the week at Rs 203.65. Magsar delivery fetched a premium of Rs 1.05. With the off-take of precious metals continuing to be in excess of arrivals, the improvement in spot prices was more marked. The discount on spot silver declined from 65 nP to 20 nP and gold ready which was quoted 40 nP below the Bhadrava delivery rate in the previous week fetched a premium of 20 nP last week-end.



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Company Notes

INDIA STEAMSHIP

THE depression in the world freight market both in the volume of cargo and rate of freight has had a pronounced effect on world shipping, and the working of India Steamship Company Ltd during the year ended March 31, 1961 bears ample evidence of the adverse conditions. In spite of the larger cargo carried and freight earned—the former has gone up from 894,349 tons to 911,592 tons and the latter from Rs 8.39 crores to Rs 8.63 crores—the company suffered a net loss of Rs 41.04 lakhs, against the loss of Rs 42.85 lakhs in the previous year, even after taking into account the insurance claim of Rs 35.91 lakhs on total loss of a ship. The loss has been arrived at after providing larger depreciation amounting to Rs 118.20 lakhs, against Rs 72.31 lakhs provided last year.

The adverse results for the second year in succession have been due to increased cost of operation on account of excessive berthing delays and the fall in freight rates. Thus, as against a rise of Rs 24 lakhs in freight earnings, port expenses have gone up by Rs 23 lakhs, cost of repairs and maintenance of fleet by Rs 11 lakhs, cost of stores and victualling by Rs 8 lakhs and insurance by Rs 4 lakhs. This has been made good by a decline of Rs 37 lakhs in charter hire and of Rs 8 lakhs in bunkers.

In view of the loss, the directors have had to skip the dividend for the year under review. Last year, it will be recalled they drew heavily from the dividend reserve to pay a dividend of 10 per cent on the ordinary share after writing off the loss from the general reserve. This year, however, the balance standing to the credit of the dividend reserve is not sufficient to make a distribution of even 25 nP per share. They have, therefore, paid only the preference dividend out of this reserve. The small arrears of income-tax amounting to Rs 3.04 lakhs for the years 1956-57 and 1957-58 are being met out of the tax reserve.

ASHOKA CEMENT

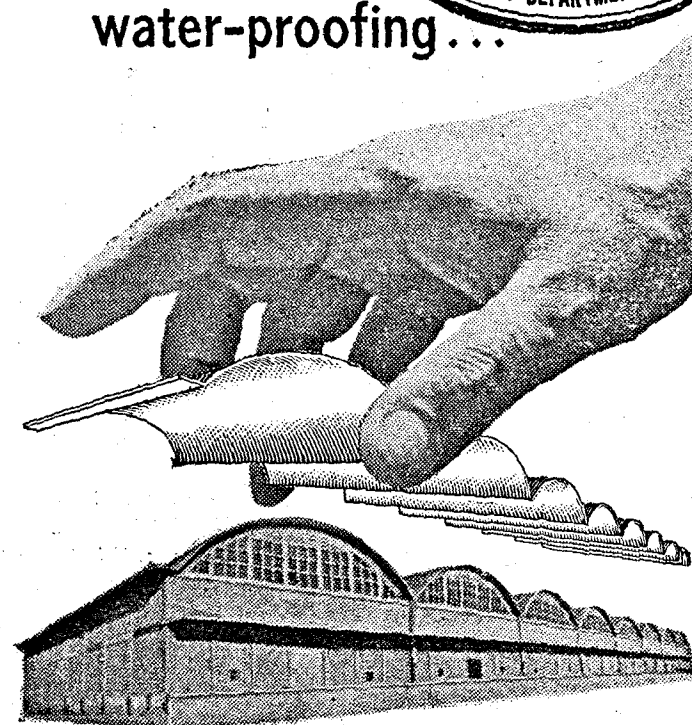
THE higher production of clinker and the larger output and sales of cement are not fully reflected in the financial results of Ashoka Ce-

ment Ltd for the year ended March 31, 1961. While the production of clinker has risen by 34,773 tonnes to 166,512 tonnes and of cement by 9,527 tonnes to 173,733 tonnes and despatches of cement by 12,067 tonnes to 176,014 tonnes the gross profit shows an increase of only Rs 2.74 lakhs to Rs 16.68 lakhs. On a sales turnover of Rs 200.02 lakhs, this represents a profit-mar-

gin of 8.3 per cent, which is almost the same as that obtained in 1959-60. The relatively small rise in profit compared to the increase in sales is due to the increase in cost.

The provision for depreciation has been raised from Rs 6.90 lakhs to Rs 8.97 lakhs but as in the previous year no provision for taxation has been made. The net profit at Rs 7.71 lakhs is a shade higher

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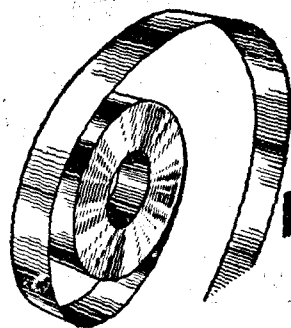
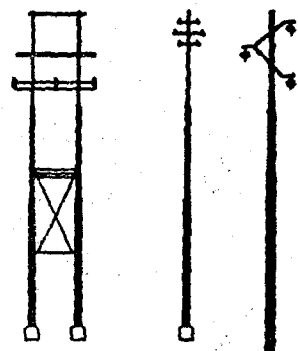
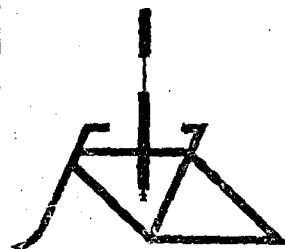
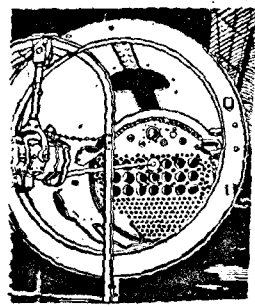
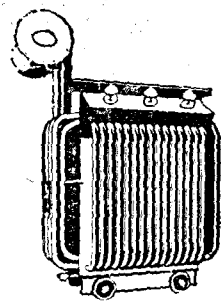
TSTP 68

than the previous year's which was Rs 7.04 lakhs. This gives an earning of Rs 1.28 per share and provides a cover of 1.8 times to the dividend which is proposed to be maintained at 70 nP per share. At the current market value of Rs 9.24 c. d., the Rs 10 fully paid-up shares offer a yield of 5.6 per cent per annum free of tax.

While the dividend is unchanged, the transfer to the general reserve has been raised from Rs 2.50 lakhs to Rs 3 lakhs, after providing Rs 33,000 to the development rebate reserve, against Rs 32,500.

Even with the allocations made this year, the total reserves of the company stand at only Rs 9.60

lakhs, against a paid-up capital of Rs 59.91 lakhs, while borrowings at Rs 119.65 lakhs amount to almost double the paid-up capital. The current liabilities and provisions aggregate Rs 32.73 lakhs and the current assets Rs 65.38 lakhs. The gross block of the value of Rs 179.03 lakhs has been written down to Rs 156.52 lakhs.



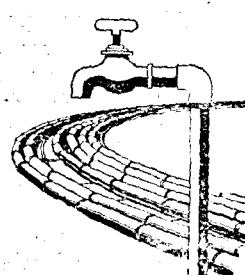
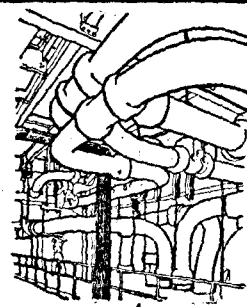
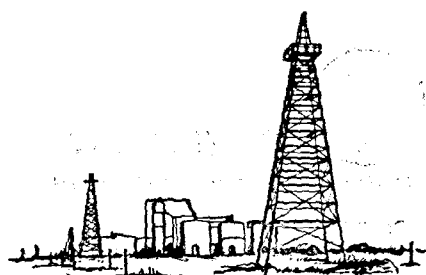
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CURRENT STATISTICS

BANKING RETURNS

	(Rs crores)			
Reserve Bank	Sept 15	Sept 8	Aug 18	Sept 16 '60
1 Note circulation	1889.46	1898.86	1899.86	1792.60
2 Rupee coin	125.48	124.61	123.99	131.76
3 Deposits	348.38	330.58	343.74	309.11
(a) Central Govt	73.53	63.50	83.03	81.72
(b) Other Govts	38.16	31.95	13.17	35.50
(c) Banks	78.66	75.85	87.93	99.62
(d) Others	158.03	159.28	159.61	92.27
4 Foreign securities	116.86	116.86	116.86	123.01
5 Balance abroad	17.76	18.73	29.52	23.44
6 Rupee securities	1548.65	1548.57	1553.49	1441.72
7 Investments	261.16	261.16	274.57	226.37
8 Loans and advances to Govts	49.45	48.11	52.40	28.67
9 Other loans and advances	136.96	134.75	116.87	137.11
Scheduled Banks	Sept 8	Sept 1	Aug 11	Sept 9 '60
1 Aggregate liabilities	1868.30	1885.20	1865.59	1932.26
2 Aggregate deposits (net)	1792.00	1810.04	1790.41	—
(a) Demand (net)	716.61	720.35	710.18	758.84*
(b) Time (net)	1075.39	1089.69	1080.23	1173.42†
3 Cash in hand	44.60	45.16	44.88	46.45
4 Balance with Reserve Bank	73.87	94.00	75.80	111.72
5 (3) + (4) as % of (1)	6.34	7.38	6.47	8.19
6 Borrowings from Reserve Bank	14.98	1.55	3.46	52.04
(a) Against usance bills and/or promissory notes	5.49	0.36	1.80	10.67
(b) Others	9.49	1.19	1.66	41.36
7 Advances	1076.64	1067.18	1086.82	978.73
(a) State Bank	232.18	223.68	235.50	202.18
(b) Others	844.46	843.50	851.32	776.55
8 Bills discounted	110.40	107.43	106.91	97.98
(a) Inland	44.37	45.33	42.54	48.79
(b) Foreign	154.77	152.76	149.45	146.77
(c) Total	13.11	12.78	13.50	10.63
(i) State Bank	141.66	139.98	135.95	136.14
(ii) Others	—	—	—	—
9 (7) + (8c) as % of (1)	65.91	64.71	66.27	58.25
10 Investment in Govt securities	610.67	607.84	582.52	736.68
(a) State Bank	259.30	261.27	241.09	367.91
(b) Others	351.37	346.57	341.43	368.77
11 (10) as % of (1)	32.69	32.24	31.22	38.13
Cheque clearance	230.22	187.94	204.20	185.54

* 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 cent per annum)			
(Selected Scheduled Banks other than the State Bank)	Sept 8	Sept 1	Aug 11	Sept 9 '60
Call Money from banks	3.86	2.00	2.95	3.58
Deposits :				
Seven days	3.00	3.00	3.00	3.00
Three months	—	3.50	—	3.50
Six months	3.75	3.75	3.74	3.49

Bombay Bullion

	(Rs and nP)			
	Sept 21	Sept 14	Aug 24	Sept 22 '60
Gold (per 10 grams)				
Spot	125.65	124.35	122.90	116.85
Forward	125.50	124.65	123.05	117.28
Silver (per kilogram)				
Spot	204.30	202.50	203.70	196.78
Forward	205.55	204.20	203.80	195.81

INDEX NUMBER OF WHOLESALE PRICES

	(Base : 1952-53 = 100)			
	2-9-61	26-8-61	5-8-61	23-9-60
Food Articles	123.2	124.2	124.1	124.0
Cereals	104.1	104.9	104.9	108.9
Pulses	88.5	89.9	91.7	93.6
Fruits & Vegetables	160.8	165.5	158.5	134.9
Milk & Ghee	118.7	115.4	115.9	120.9
Edible Oils	155.7	158.4	160.9	147.2
Fish, Eggs & Meat	137.2	142.1	141.2	130.0
Sugar & Gur	124.3	123.8	123.1	140.6
Others	180.4	185.7	183.5	168.7
Liquor & Tobacco	100.0	100.0	100.1	104.5
Tobacco	96.5	96.5	96.6	102.7
Fuel, Power, Light & Lubricants	121.5	121.6	121.6	119.3
Industrial Raw Materials	138.7	138.8	150.5	137.0
Fibres	125.1	121.9	152.4	135.8
Oilseeds	160.6	163.9	162.9	145.8
Minerals	94.8	94.8	95.2	98.2
Others	126.5	126.6	127.0	125.5
Manufactures	124.7	124.5	127.5	123.0
Intermediate Products	140.7	141.0	141.8	129.4
Finished Products	122.1	121.7	125.2	122.0
Textiles	122.2	121.5	127.2	124.7
Cotton	126.6	126.6	126.6	131.7
Jute	113.0	110.2	133.3	118.9
Woollen	123.1	123.1	123.1	110.1
Silk & Rayon	118.0	118.0	118.0	100.8
Metal Products	147.1	147.1	147.1	146.8
Chemicals	112.0	112.0	111.9	104.6
Oil Cakes	144.3	146.1	146.7	138.3
Machinery & Transport Equipment	112.8	112.8	112.8	111.9
Others	120.9	120.9	120.9	115.8
All Commodities	125.5	126.0	128.6	125.1

JUTE

Production, Stocks and Despatches of Gunnies ('000 Metric Tons)

	July '61	June '61	May '61	June '60
Production				
Hessian	22.8	24.7	28.9	371.9
Sacking	30.1	31.2	38.8	532.7
Others	11.8	11.4	11.9	117.9
Total	64.7	67.3	79.6	10,22.5
	(88.3)	(90.6)	(93.1)	10,91.5
Equivalent Jute consumption in lakh bales	3.54	3.55	4.40	58.06
Stocks				
Hessian	23.4	29.3	35.1	—
Sacking	38.1	36.9	44.9	—
Others	9.7	11.4	13.5	—
Total	71.2	77.6	93.5	—
	(89.0)	(83.4)	(83.1)	—
Despatches *				
Hessian	28.6	30.5	23.1	380.8
Sacking	28.7	29.5	42.7	531.4
Others	12.5	13.1	12.1	108.7
Total	69.8	83.1	77.9	10,20.9
	(82.0)	(90.7)	(86.8)	(10,99.2)

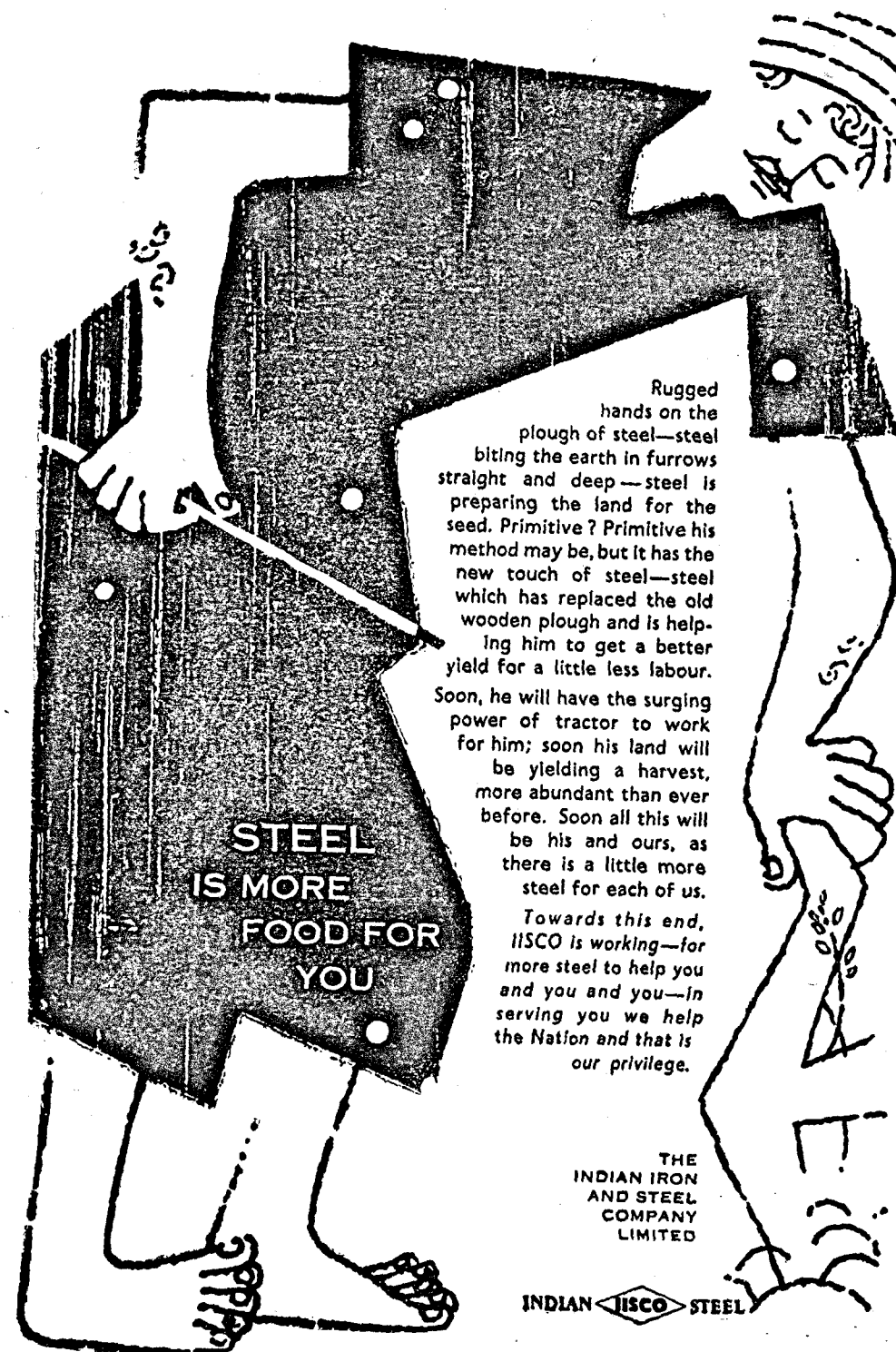
IJMA Purchases of Raw Jute ('000 bales)

	269	162	216	42.80
From India	(347)	(243)	(356)	(53.91)
From Pakistan	35	—17	3	2.79
	(118)	(50)	(33)	(600)

Note : Figures in brackets are those for the corresponding month of the previous year or the total for the previous season.

* Includes despatches for exports and internal consumption.

Source : Indian Jute Mills Association, Calcutta.



HC-77

PRODUCTION OF IRON AND STEEL

(000 Metric Tons)

	Tata	Indian Iron	Mysore Iron	Rourkela	Bhilai	Durgapur	Kalinga Industries	Total
Pig Iron :								
Aug	—	—	—	30.8	85.4	64.5	—	—
Jul	—	—	—	25.0	85.1	63.6	—	—
Jun	131.9	96.9	5.1	30.7	78.6	55.7	2.1	401.0
May	142.3	100.8	5.2	36.7	72.6	54.1	2.7	414.4
Apr	135.4	99.4	4.9	38.6	69.6	59.1	2.9	407.9
Mar	141.7	106.1	5.0	28.1	77.8	62.1	3.0	423.8
Semi-Finished Steel :								
Aug	—	—	—	0.7	10.8	27.9	—	—
Jul	—	—	—	—	19.0	—	—	—
Jun	44.4	11.7	—	10.7	22.0	17.5	—	112.0
May	48.1	17.4	—	4.9	11.6	21.9	—	98.2
Apr	51.2	10.9	—	14.0	6.5	24.5	—	107.1
Mar	49.8	25.5	—	2.1	28.5	25.2	—	131.1
Finished Steel :								
Aug	—	—	—	11.2	24.6	6.0	—	—
Jul	—	—	—	—	23.1	—	—	—
Jun	57.6	32.9	3.5	13.1	23.0	3.1	—	225.8
May	58.8	30.8	2.4	12.7	17.9	1.6	—	213.0
Apr	63.5	40.3	2.9	11.5	12.2	1.5	—	227.3
Mar	72.4	59.4	2.9	8.4	12.2	1.2	—	255.5

Note. Break down of production figures is given for the major producers. Total production figures, however, include other producing units.

Source: Department of Iron and Steel, Ministry of Steel, Mines and Fuel, Government of India.

VALUE OF WORLD TRADE, 1958-60

	Value f o b (Billion U S dollars)			Percentage change from preceding year ¹		
	1958	1959	1960	1958	1959	1960
World exports ²	94.3	100.3	112.0	— 5	6	12
Exports of United States ³	16.4	16.4	19.6	—16	—	19
Exports of other manufacturing countries ⁴						
E E C Countries	22.8	25.2	29.7	1	11	18
E F T A Countries ⁵	15.8	16.8	18.3	— 3	6	9
Japan	2.9	3.5	4.1	—	20	17
Total	41.5	45.5	52.1	—	10	15
Exports of primary producing countries ^{6,7}	36.4	38.4	40.3	— 4	5	5
Trade of manufacturing countries with each other						
Exports of United States to other manufacturing countries ³	5.0	5.2	7.4	—24	4	43
Exports of other manufacturing countries to United States	3.7	5.1	4.9	12	40	— 5
Trade between other manufacturing countries of which trade between EEC Countries	18.5	20.8	25.0	— 4	13	20
Total	6.9	8.2	10.3	— 4	19	25
Exports of manufacturing countries to primary producing countries	27.2	31.2	37.3	— 7	14	20
From United States ³	11.2	11.2	12.0	—12	—1	8
From other manufacturing countries	17.7	17.8	20.1	—	—	13
Total	28.9	29.0	32.1	— 5	—	11
Exports of primary producing countries to manufacturing countries						
To United States ⁷	9.2	9.8	9.4	— 4	7	— 4
To other manufacturing countries ⁷	16.2	17.2	19.3	— 4	6	12
Total ⁷	25.4	27.0	28.7	— 4	6	6
Trade of manufacturing countries with Soviet area and Mainland China						
Exports of manufacturing countries	1.8	1.7	2.3	15	—3	28
Exports of Soviet area and Mainland China ⁷	1.5	1.8	2.0	5	18	9

Notes: ¹ Based on unrounded value figures.

² Excluding exports of the Soviet area and Mainland China and U S military aid.

³ Excluding military aid.

⁴ Members of the European Economic Community (Belgium — Luxembourg, France, Germany, Italy and Netherlands), members of the European Free Trade Association except Portugal (Austria, Denmark, Norway, Sweden, Switzerland, and the United Kingdom) and Japan.

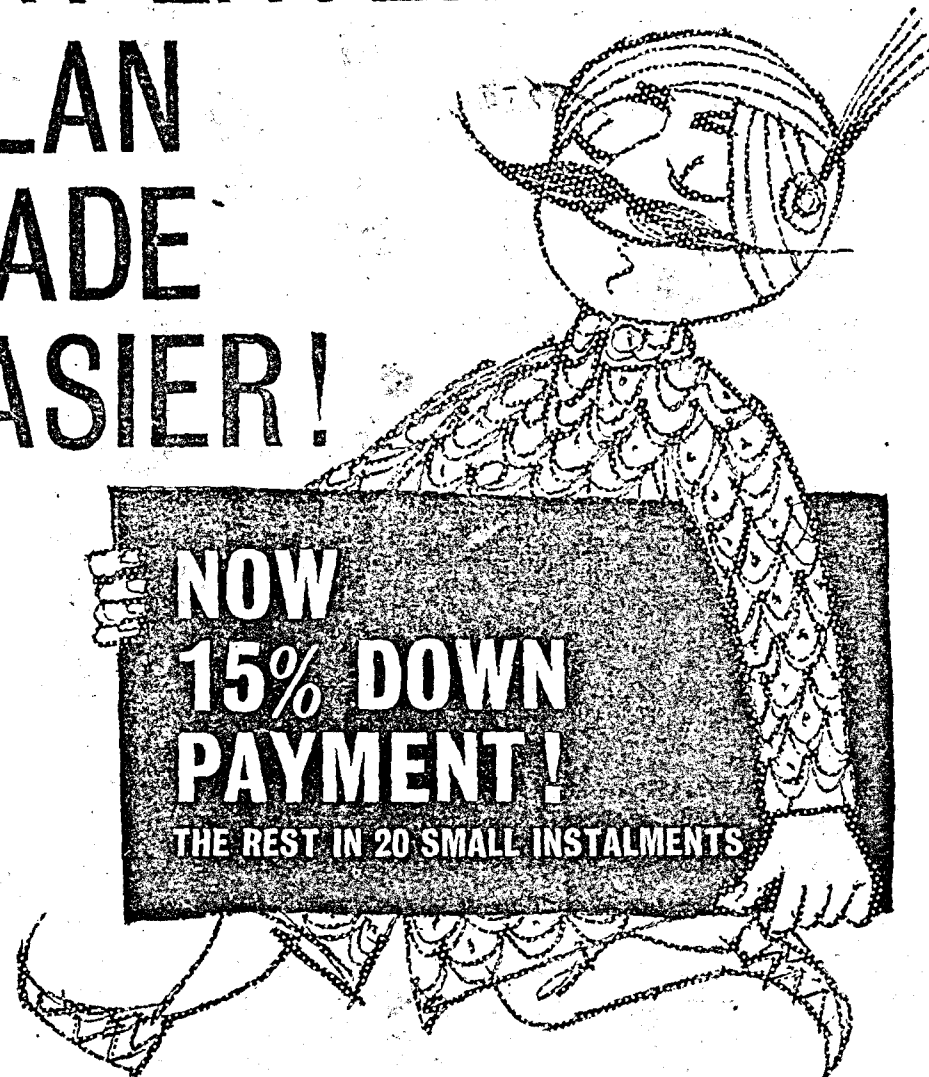
⁵ Excluding Portugal.

⁶ Countries exporting mainly primary products and semi-manufactures, i.e. all countries excluding those classified as "manufacturing countries" and also excluding the Soviet area and Mainland China.

⁷ 1960 figures are partly estimated.

Source: International Monetary Fund.

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Printed by A Fernandes at New Jack Printing Works Private Ltd., Globe Mills Passage, off Delisle Road, Bombay 13, and published by him for Asian New Age Publishers Private Limited from 65, Apollo Street, Fort, Bombay 1. Editor: SACHIN CHAUDHURI

The Economic Weekly

A Journal of Current Economic and Political Affairs

September 30, 1961

THIRTEENTH YEAR OF PUBLICATION

Volume XIII No 39

Price 50 Naye Paise

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THE ECONOMIC WEEKLY

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Bombay.

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... Shall It Be Salted?

CAN national integration be promoted by a committee or conference? We have been told it can be, and the conference which is meeting in Delhi is to take decisions and pass resolutions which, presumably, will be acted upon by the Union and State Governments. The present conference is a climax to a series of discussions and decisions on the subject arrived at at earlier meetings sponsored by the Congress Party and there has been considerable amount of preparatory work behind it. This has served the very useful purpose of limiting and restricting the objectives to specific tasks which can be undertaken by committees and implemented by the Governments. Those who were led to expect that the subject of integration would only lead to exhortations and uttering of mouth-filling phrases and endless platitudes have been agreeably surprised to find that the sponsors have succeeded in getting down to brass-tacks. This is in itself a big achievement.

The spiritual basis of Indian unity is best left to the Himalayas, the oceans which sweep India's coasts and the rivers which flow through this land and to the main-springs of culture which lie embedded in our scriptures and our past history. To translate the unity of India which is spiritual and cultural into a workable proposition of government and administration is the job of politicians.

There is much to be done on a humbler plane — in the fields of education, economic opportunities, and ensuring the security of person and property, rights and privileges guaranteed by the Constitution. The report of the National Integration Committee which was appointed at the Bhavnagar session of the Congress considered the subject under these three parts. It had a fourth part which was the role of the Congress organisation in this task of national integration. Here's the rub: What if the mustard-seed with which the ghost is to be exorcised is itself contaminated?

Speaking at the conference now meeting in Delhi, Dr Zakir Hussain put his finger unerringly on the sore spot when he said: "We have let loose forces which are creating disintegration because we want to win elections". Industrialisation and urbanisation were killing casteism but politics had injected a new vigour into an institution which was dying out. Candidates had been selected on the basis of caste or communal considerations. Of the latter he cited the instance of the late Maulana Azad being put up as a candidate for Parliament only from Muslim majority areas. The Maulana, he felt, should have been put up from a predominantly Hindu constituency. He might have been defeated but that defeat would have been a great victory for integration.

The day's newspaper which carries this report also carries the report of the victory of the Muslim League candidate in a by-election in Kerala. He came in with a reduced majority, because a Congress rebel candidate, who stood as an independent with "national integration" as his slogan, snatched some of his votes. The report concludes by summing up the background of this by-election: "The Muslim League now has ten seats in the Kerala Assembly. It is in alliance with the Congress and the P S P in the State Legislature".

If the salt have lost its savour, wherewith shall it be salted?

Wanted: Long-term Policy for Sugar

MONTHS ago it had been known for certain that sugar mills would be left with very large stocks at the end of the crushing season. This is not a problem for the industry alone, for the Government is also deeply involved, and involved in two ways: There is the statutory obligation to maintain sugarcane prices at a fixed minimum and there is also the control on the distribution and movement of sugar. In these months when stocks had been visibly going up week by week, Government had not thought of making any changes in sugar control and distribution. Sugar control was instituted at a time of acute shortage with the express purpose of preventing stocks from going under ground. Why maintain it when the situation was one of over-abundant supply? The delay in coming to a decision and in announcing changes in control made sense only on one supposition, viz, that the Government was studying the problem carefully and was going to formulate a sensible sugar policy which would meet the needs of the changed situation. The time taken over arriving at a decision admitted of no other explanation.

To protect the millowners and the cane-growers, the Government has decided to continue controls on releases and removed only the vexatious clause about releases only to nominated agents who often failed to lift their stock and thereby added to the difficulties of the mills. But despite the glut, the Food Minister would not let people have more sugar and allow prices to go down. Why this excessive concern for the sugar mills? There is no need to suppose that the concern is only for the sugarcane-grower. Even if the cane prices are to be maintained at the present fixed level, there is a comfortable margin for allowing the price of sugar to go down, the profit-wage index in sugar being about the highest in any industry. However successful the Food Minister may be in pushing through exports at a heavy loss, the stocks left would still be staggering, unless domestic consumption is allowed to increase. But Shri S K Patil is no friend of the cane-grower either, for, while monthly releases are to be regulated in such a

manner that the price of sugar is not affected, the sugar mills have been asked to cut down production next year by 10 per cent. This cut is to apply to individual mills and its violation would attract penal rates of excise duty. How would the sugarcane-growers, who have grown cane in increasingly large quantities in the hope of selling it to the sugar factories, fare? They will now find that the mills are not prepared to crush their cane nor can they switch over to gur, as gur prices are already very low. Why not catch the bull by the horn and bring sugarcane prices into line with the prices of other crops so that the embarrassing and unwanted diversion of acreage can be stopped at the source?

The most pressing immediate problem, however, is that of stocks. If Shri S K Patil wants to mollify the sugarcane-grower in the American style, he has to go the whole hog and set up a commodity credit co-operation to take care of the unsold but not unwanted sugar. Or he has to follow the course of sanity and let people have more sugar at a lower price, while reversing all the Government programmes of stepping up the production both of sugarcane and of sugar in the coming years. The latter will take time but the releases can be liberalised here and now, though not fast enough to relieve the sugar mills of their stocks. The latter have necessarily to be taken over and special arrangements made for finance and that too before the next season begins in a month's time, in order to enable the mills to start crushing.

While the Government had not done anything so far in releasing more sugar in the internal market, it has been active in pursuing export possibilities and arranged for exports of some 1½ lakh tons. It is also trying to obtain a larger export quota from the International Sugar Council which is now meeting in Geneva and is hopeful of an export target of some 3 lakh tons. Even if this is achieved and production continues at this rate, the volume of unsold stocks to be carried over will go on mounting year by year so long as the domestic consumption remains more or less stagnant at a figure which adds to the unsold

stocks cumulatively every year by some 5 lakh tons. The problems of the sugar industry have thus to be viewed in the perspective of the sugar policy of the Government and targets of sugar cane cultivation and sugar production in the Third Five Year Plan. That target is one of steady expansion of the production both of sugar cane and sugar. In fact, the steady expansion of the industry has been pursued systematically over a number of years: new units have continued to be licensed, foreign exchange has been freely made available for expansion of capacity and domestic manufacture of sugar-making machinery given equal encouragement and support. Domestic consumption, however, over the recent years has remained more or less stagnant at a figure of 2.2 to 2.3 mn tons with internal prices kept constant at more or less the same levels. The surplus stock in a situation like this has to find an outlet in the export market since the internal consumption — at least on present showing — is not going to be raised by reduction in sugar prices. The latter assumption is now confirmed by the latest announcement which is to make-do for a sugar policy.

In a nutshell, the situation is like this: every effort has been made to raise the production of sugar which has gone up to 3 million tons this year, and unless plan targets are altered, is to be steadily raised to 3.5 million tons by 1965-66. Domestic consumption, however, is to be maintained more or less at the present level, leaving an annual surplus which will go up year by year from this year's surplus of 7 lakh tons. If, therefore, stocks are not to increase cumulatively, an outlet has to be found through increased exports or production will have to be cut and the related targets revised accordingly. All these problems must have been engaging the attention of the Government for months, and not only the immediately pressing one of carrying the load of stocks. The formulation of a long-term policy is equally pressing so that whatever is done today may have some rationale and may fit in with that policy.

Operation Mop Up in Oil

HOW does one mop up price reductions? Ask the Ministry of Steel, Mines and Fuel. In a notification issued by that Ministry, announcing the acceptance of the recommendations of the Oil Prices Enquiry Committee on the selling prices of various petroleum products in India, there is this cryptic sentence:

"Government have decided to accept the recommendations of the Committee and intend to mop up the reductions".

The next sentence states that the consumer prices of these products will remain unchanged and from this has to be guessed the meaning of this particular mopping up operation. The reductions in the prices of petroleum products which the Damle Committee found could be effected after allowing for an adequate return for the oil companies are not to be passed on to the consumers. The difference between the actual selling price and the fair price determined by this Committee is to be recovered from the oil companies as excise duties. On the basis of estimated sales of 1962, this difference in the case of major petroleum products and bitumen will amount to Rs 15 crores. From the manner in which this decision has been taken without consulting the oil companies, it is clear that the pricing of oil products is now a part of the system of administered prices.

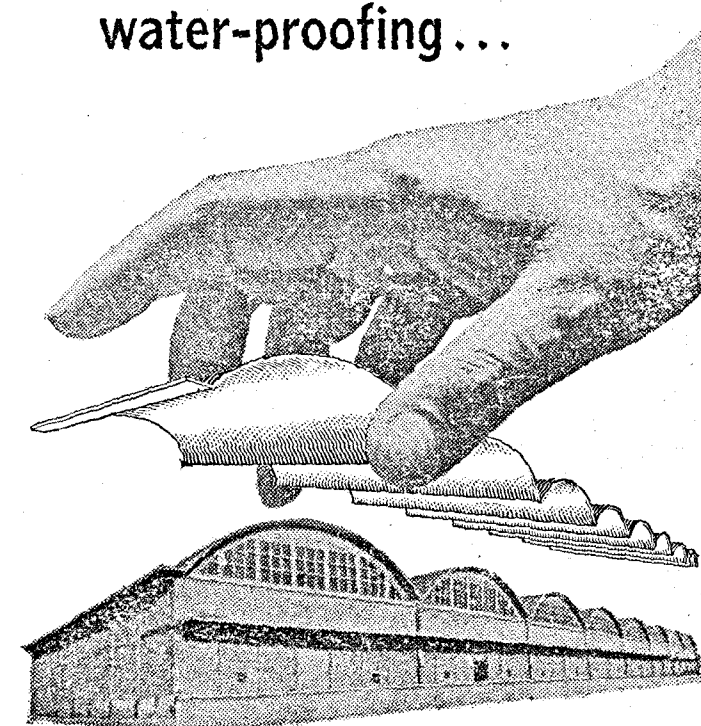
It is curious to note that on the same date, while the Ministry of Steel, Mines and Fuel issued this notification, the Ministry of Finance, by another notification, mopped up as revenue under the Mining and Oil (additional duties of excise and customs) Act 1958 Rs 5 crores which had been due from the oil companies on their cost and freight adjustment account. This other mopping up operation does not offend against semantics, for, after all, mopping up of a surplus, however construed, is perfectly legitimate.

Malaviyaji, our energetic Oil Minister, has been riding on the crest of a wave. Oil explorations have started to produce results, and spectacular results. And oil has been struck in Gujarat, the Finance Minister's home State. The price reductions now effected, however,

follow from the application of the pricing principles which have been presumably agreed upon between the oil companies and the Government. It is to be noted that they do not touch the international price of crude which is the basis of the structure of oil pricing, which no oil-consuming country has yet been able to touch. True, pressures of excess supply have forced the oil

companies to give some discount over the posted prices now and then. The price reductions recommended by the Damle Committee took into account such discounts. What Malaviyaji has won for the Exchequer, however, is not one of his major triumphs as it has been made out to be. It is perhaps necessary to make this point, considering the manner in which the price reduction has been carried out and publicised.

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Weekly Notes

Resources for I M F

EVEN the modest proposals for adding to the resources of the International Monetary Fund presented to the Board of Governors of the Fund by Dr Per Jacobsson did not exactly find ready acceptance at Vienna. Opposition came mainly from the countries of Western Europe, led by France. These are the countries which would be called upon to make their currencies automatically available to the Fund when needed by it and had, therefore, a greater right than others to scrutinise the proposals a little more critically. In spite of the strong backing from the U S delegation, therefore, Dr Jacobsson's proposals received only qualified support from the meeting.

The French delegation had made it clear even before the Vienna meeting began that they would extend support to the proposal only if the use of the borrowed currencies under the scheme was restricted to protecting the major reserve currencies. The delegation was opposed in particular to the Fund making the borrowed currencies available to the developing countries, which might tend to be less careful in husbanding their own resources if this sort of assistance was available to them.

The broad support for the official proposals — though subject to some qualifications — does mean that the Fund can now proceed to set up the necessary arrangements for automatic credit arrangements with the major industrial countries. Even if these arrangements cannot be used directly for providing assistance to the developing countries in terms of the French objections to the original proposals, the underdeveloped countries have undoubtedly much to gain from the stability which the scheme will ensure in the positions of the major reserve currencies.

Without denying the usefulness of the new scheme, however, it could be argued that the limitations imposed on the relatively conservative proposals put forward by the officials of the Fund at the Vienna meeting reflect the extent to which orthodoxy in the international monetary field still prevails throughout

the world. It is certain that the more radical proposals put forward by Triffin, Stamp and others would have been summarily rejected by the Board of Governors if any attempt had been made by the officials to present it at the Vienna meeting. The opposition to Dr Jacobsson's proposals does not, however, reflect merely monetary orthodoxy. It also reflects the growth of regional feelings. One of the important reasons for the French opposition to an increase in the powers of the Fund is reported to be connected with American domination of that organisation. France was strongly in favour of solving the currency problems of the major industrial countries through various organisations of Western European nations rather than through the International Monetary Fund. It is to be greatly regretted that this attitude towards one of the most important international institutions should have begun to find support in other European countries as well.

Export of Marine Products

IT might be questioned whether the various export promotion councils that have been set up in the last few years have functioned in a really effective manner. There can be little doubt, however, about the usefulness of these councils in principle. Concentrating on the scope for increasing the exports of commodities in particular groups each of these councils could certainly do a very useful job in building up the export market for Indian products. In principle, therefore, the formation of the Marine Products Export Promotion Council must certainly be welcomed. With a vast coastline and innumerable internal waterways, the potential production of marine products of all kinds is immense. The existence of a large and expanding domestic market for these products provides the basis for the expansion of the marine products industry and it is in this light that the Plan considers programmes for this sector.

The Marine Products Export Promotion Council was inaugurated at Ernakulam by the Union Minister for Commerce and Industry, Shri K C Reddy, who expressed the Gov-

ernment's intention to double the earnings from the exports of marine products by the end of the Third Plan. With the present level of exports of these products at Rs 6 crores per annum, this implies a target of Rs 12 crores per annum by 1965-66. This should not be difficult to achieve; the demand for sea foods in the advanced countries is expanding rapidly as the affluent consumers in these countries look around for more delicacies to consume. India is in fact finding that there is a demand for items which have been completely neglected as a source of food in the past. An interesting example of this is provided by the demand for frogs' legs, which are considered a luxury food in the West.

This example is particularly useful because it draws attention to the danger of unplanned exploitation of the existing resources of certain marine products. The demand for frogs' legs has, for instance, resulted in a steadily expanding catch of frogs from the marshes of Kerala, which is tending to disturb the normal life cycle of the frog population and is depleting many areas of frogs altogether. If the country is to maintain its level of exports of frogs' legs, it will be necessary to set up frog farms as has been done in the United States. Efforts will have also to be made to ensure that proper methods are developed for the utilisation of by-products and wastage is reduced to the minimum.

The Third Plan has made provision for new freezing and cold storage facilities which are essential for most marine products. Shri Reddy pointed out that extensive research programmes in exploratory fishing and processing techniques are to be undertaken. He also spoke of various schemes, like mechanised fishing vessels, which were being undertaken to expand the output of marine products. If the Export Promotion Council that has now been set up undertakes market research, and carries on sustained publicity in foreign countries in addition to taking steps for the development of domestic production and the maintenance of quality standards, it will undoubtedly be able to succeed in the task which it has been set.

It is to be hoped that the new Council functions more effectively than some of the other Export Promotion Councils in the country.

Well - Meant Step Fails

THE judgment of the Constitution Bench of the Supreme Court, declaring the Newspaper (Price and Page) Act, 1956 'ultra vires' of the Constitution and, accordingly, the order passed under it void, has a significance that goes beyond the limited dispute over pages and prices. That a verdict of such great import to the basic rights of citizenship guaranteed in our Constitution, and particularly to freedom of the press should have been evoked by an issue in the economics of publication, over which opinion is sharply divided, may not appear self-evident. But it had to come some time or other, with basic freedoms facing threats from various quarters; and perhaps it is as well that it has come now though the cause of it, provoking conflicting reactions in the newspaper world, may rob it temporarily of some of its larger significance.

What is that cause? The forbidding capacity that the bigger and better-established journals with immense resources, have of squeezing out smaller publications by a generous allowance of newsprint and offer of relatively cheaper rates. Government's intention in issuing the Price-Page Order was to restrain this unequal competition by making it obligatory on all newspaper enterprises to price their publications uniformly according to the number of pages they publish. It was a laudable step to protect smaller and financially weaker, though not less valuable or less useful publications. Through the Order, Government sought also to prevent or at least curb the emergence of monopolistic tendencies in the newspaper world which were bound to lead to a situation where a few in control of big papers would fashion public opinion as they wished — by suppressing reports, giving them a convenient angle or altogether distorting them.

With the invalidation of Government's well-meaning Order, that danger continues, and with it also the threat to the smaller, independent journals run by companies or individuals to whom newspaper enterprise is still more of a mission than

a commercial undertaking like the manufacture of jute bags, soap or cosmetics. And the irony of it is that a judgment which goes all out in support of basic rights and particularly the right of expression should imperil to some extent the scope of intrepid little journals, the salt of the profession, to express themselves, undeterred by the flourish of printed area which the bigger papers can not only afford, but find highly profitable. That was of course no concern of the Court which had before it a purely constitutional issue though the judges, by no means unaware of it, have suggested that Government must devise other ways to protect weaker sections of the press. It is left now to Government to do what it can in the matter.

Industrial Finance Corporation

THE extent to which programmes of industrial development have become dependent on external assistance is strikingly evident from the latest report of the Industrial Finance Corporation. During the year ended June 30, it sanctioned loans amounting to Rs 21 crores, of which dollar sub-loans out of D L F credits accounted for Rs 4 crores. As the terms and conditions of the sub-loans sanctioned are in the course of finalisation, no disbursements have been made so far in respect of these sub-loans. The agreement with the D L F, announced as early as April 1960, was not concluded until December last and the I F C's balance sheet shows that this credit had not been availed of till the end of June. As a result of this delay, the I F C loans actually disbursed amounted to less than Rs 7 crores, which is not even one-third of the amount sanctioned against nearly one-half during the previous year. The delay in the disbursement of the DLF credit must have resulted in a corresponding delay in the disbursement of rupee loans also, since six out of the fourteen concerns which were sanctioned dollar sub-loans also received rupee loans.

Since its establishment, the I F C has sanctioned loans aggregating Rs 106 crores, of which Rs 57 crores have been disbursed. Net of Rs 15 crores repaid, the loans outstanding come to Rs 42 crores. The loans sanctioned have financed approximately 44 per cent of the total cost of the schemes assisted. Since disburse-

ments have been only about one-half of the loans sanctioned, it would have been interesting to know the proportion of the loans disbursed to the cost actually incurred on the schemes financed. The report does not provide any information on this point.

The Corporation has so far guaranteed 20 proposals for deferred payments amounting to Rs 25 crores. The number of applications for guarantees and the amounts involved registered a marked increase during the year. This figure, however, tends to be somewhat deceptive, since many applicants make alternative arrangements before or after receiving IFC guarantees. The Corporation also underwrote during the year public issues of share capital amounting to Rs 160 lakhs, consisting of Rs 100 lakhs of preference and the remaining of equity. One of the preference issues was fully subscribed by the public, but the Corporation has had to take up shares of the total value of Rs 107 lakhs, consisting of Rs 67 lakhs of preference and Rs 40 lakhs of equity. The total amount of underwriting approved by the Corporation so far comes to Rs 420 lakhs.

Repayments received from borrowers and the Rs 9 crore loan received from Government out of P L 480 funds sufficed to meet the limited commitments during the year and the I F C did not, therefore, have to enter the market with any fresh issue of bonds. Actually, it repaid Rs 7 crores to the Central Government reducing the outstanding loans to Rs 6 crores.

While the rate of interest on the borrowings from the Government remains unchanged at 4½ per cent, the Corporation continues to charge 7 per cent on its rupee loans with a rebate of ½ per cent for punctual servicing. The rate of interest on foreign currency loans has been fixed at 8½ per cent, less a rebate of ½ per cent for punctual servicing, plus an extra ¼ per cent for incidental expenditure; the effective rate for such loans thus comes to 8 per cent.

As almost the entire amount of the D L F credit stands committed, negotiations for an additional loan of \$ 20 mn from the D L F have been initiated. The Corporation is also exploring the possibilities of securing credits in the currencies of

other countries. These would probably have to be negotiated direct with the countries concerned since the World Bank has in the past refused to accommodate the Corporation.

Under the latest amendment of its Charter, the business permissible to it has been considerably enlarged. It can now guarantee: i) loans raised by industrial concerns from scheduled and co-operative banks; ii) deferred payments due from industrial concerns in connection with their purchases of capital goods both within and outside India; and, iii) loans from any foreign financial institution taken by industrial concerns. It can also subscribe directly to the stocks and shares of any industrial concern and also convert its loans and debenture holdings into equity. Loans exceeding Rs 1 crore would now have only to be approved by Government; they will no longer have to be guaranteed.

The enlargement of its permissible business will naturally call for larger resources and the IFC proposes to increase its share capital from Rs 5 crores to Rs 7 crores. This will increase its borrowing capacity substantially from Rs 50 crores to Rs 70 crores.

To Advise Malaya

A Correspondent Writes:

LAST week, the Fertiliser Corporation of India, whose affairs are quite in a mess at Sindri, agreed to act as technical consultants to a Malayan enterprise. This is the second time that Indians are acting as technical advisers to a foreign country in the field of fertilisers; the first was when we agreed to advise the United Arab Republic on a Nangal-type factory.

The Fertiliser Corporation's decision followed the visit of Malaya's Agriculture and Co-operatives Minister, Mr Inche Aziz, in his non-governmental capacity as leader of a delegation of the Malaya Fertiliser and Paper Co-operative Society. The Corporation's advice on the tenders submitted by foreign firms will be ready by December. The Malayan delegation, including the Minister, visited the Sindri factory and some members of the delegation also went to Nangal.

The Malayan factory for production of urea, based on fuel oil from two new refineries will have a capacity of 100 tons a day. About

150,000 farmers have contributed five million Straits dollars (about Rs 75 lakhs) for Mr Aziz's pet project which will cost, according to the Minister, 25 million Straits dollars. Malaya today imports about 90,000 tons of fertiliser a year and most of this goes into the plantations and not into the rice fields, though Malaya is short of rice. The urea from the proposed factory is to be used by the rice farmers.

There is no proposal now for the dispatch of Indian technicians to help build the Malayan factory. Some Malays may however be trained in Sindri. Delhi will have to tread softly in offering any further assistance or advice on the Malayan project, because of a bitter controversy in the Federation on the issue. Mr Aziz is an energetic co-operator in a country where the idea of co-operation is being vigorously pursued. A majority of the rice farmers have been saved from the clutches of moneylenders through the extension of co-operative credit. The co-operatives run rice milling plants and rubber processing and palm oil processing units. Extensive assistance has been given to the fishermen through co-operatives; nearly 10,000 boats out of 23,000 have been mechanised. The net earnings of a group of three fishermen operating a modern mechanised boat is around Rs 900 a month, an enviable record. Co-operation will also play a vigorous role in the extensive resettlement schemes which call for reclaiming land from the Malayan jungles, a national operation in the Federation's five-year plan. But on the urea plant proposal Agriculture Minister Aziz and Prime Minister Tengku Abdul Rahman, do not see eye to eye with each other.

The controversy between the Prime Minister and the Agriculture Minister is indeed a good example of the labour pains of development. Not that the Prime Minister of Malaya is opposed to the use of fertiliser by rice farmers; far from it his argument is that it will be economical to import fertilisers. Imports are no problem for Malaya, with her huge favourable trading balance earned from tin and rubber exports. How far should purely economic factors be ignored in the desire for an indigenous industry? That is the 25 million dollar issue in the Malayan fertiliser controversy.

According to Mr Aziz, the five million Straits dollars collected from farmers will be enough to cover the down payment in a deferred arrangement costing 25 million dollars. The Prime Minister has repeatedly and publicly declared that Government funds are not to be invested in the urea project. His advice: why not the co-operative become the commission agent to handle imported fertilisers for the present? But for some of the proponents of the urea factory, the very process of canvassing for sale of shares to the farmers takes them half way through the process of persuading the farmers to take to fertiliser on a larger scale.

At the general meeting the United Malayan National Organisation, the major party in the Federation Alliance Government, some months ago, the issue heated up to boiling point when Mr Aziz and the Tengku voiced their rival arguments. According to the Prime Minister the urea plant is not essential to the national economy. It would be a white elephant because imported fertiliser would be cheaper. The Prime Minister was not even convinced about the technical merits of urea over other fertilisers like ammonium sulphate. There were 99 supporters of the Prime Minister and 44 of Mr Aziz at the meeting.

What about the merits of urea? An FAO conference some time ago in Saigon hoped that phosphates will become a thing of the past when the farmers learn the use of urea. Urea is not popular in the United Kingdom, but Japan likes it and makes it. Germany, Italy and the U.S. also make urea. An Indian, Dr H N Mukherjee has already visited Malaya in connection with the urea project as a United Nations expert. Dr Mukherjee stayed more than a week in Malaya and recommended the project; the Prime Minister was 'too busy' to meet him, however!

Naturally, India should share her industrial experience with the less developed Asian nations. But an Indian public sector organisation walking into this controversial project, even in a limited capacity, may have unpleasant repercussions. It may not be the best way to launch a technical assistance foray in an area which could be developed into a market for Indian industrial expertise.

Our Delhi Letter

Prospects for Economic Cooperation in Asia

ASIAN economic planners, meeting in the Capital this week, are discussing a wide range of "high policy" questions relating to economic development and planning in the countries, in the ECAFE region, excluding China. The agenda of the conference includes appraisal of planned development in Asian countries, strategy of future development, improvement of administrative machinery for planning, regional co-operation and establishment of a Regional Advisory Group on Economic Development Planning and of an Asian Institute of Economic Development. However, it is the question of economic co-operation in the region which is dominating the Conference, and the ECAFE Secretariat has prepared an exhaustive working paper on the subject.

The working paper, entitled "The Scope for Regional Economic Co-operation in Asia and the Far East", declares that regional economic blocs are the order of the day and free world-wide trade, as envisaged in the Bretton Woods Agreement, is difficult to achieve. The paper points to the experiments of the Western European countries, Latin America and of the Communist countries who are organised in the Council for Mutual Economic Assistance. While argument by analogy is inadequate, even the mere existence of other regional trading arrangements is a sufficient reason for close co-operation in the ECAFE region. In the face of discrimination by these blocs, purely for self-protection there is a need for joint deliberation and common trade policies vis-a-vis imports from these countries into the region, even if there is not immediately much scope for co-operation in intra-regional trade.

Lack of economic "complementarity" in the countries of the region, according to the paper, should not stand in the way of co-operation. In fact co-operation has to increase the flow of trade between relatively un-complementary economies like India and Burma to the mutual advantage of both. More complementarities in the region which are unexploited by the present level and pattern of production will gradually emerge as industrialisation progresses.

The case for and possible pattern of economic co-operation in Asia it is pointed out, are very much different from those in Western Europe. In the countries of the ECAFE region, for instance, state control over the allocation of resources is generally much wider than in the European countries. This means that in the ECAFE countries co-operation in trade, cannot go very far unless backed up by co-ordination of national plans for the over-all pattern of investment. This is confirmed by the working of the Council for Mutual Economic Assistance.

Trade Gap

According to Professor Kristensen, now Secretary-General of the OEEC, per capita income in Asia will increase by only 0.7 per cent annually between 1955 and 1980. Though this may be unduly pessimistic the fact remains that the appalling gap in income levels between the industrially advanced countries and the less developed countries of this region has been widening. The prospects for future are not bright either. As late starters in the field of development, the ECAFE countries depend, and will continue to depend, on the industrialised countries for their growing requirements of capital goods. The share of capital goods in the total imports of ten of the twelve primary goods exporting countries in the region from the industrial countries rose from 26 per cent in 1928 to 37 per cent in 1955-57, while the volume of capital goods imported rose by about two and half times in this period. However, the scope for importing capital goods is limited by the growth of exports. The result is a growing gap between export prospects and import needs. Projections for 1980 indicate that the gap for the ECAFE countries (excluding mainland China and Japan) will grow to 28 billion dollars.

Discussing alternative development patterns open to the under-developed countries, the working paper discourages the popular notion held particularly in India, of undertaking export-oriented industrialisation. Though Hong Kong and Puerto Rico are the show pieces of this type of industrialisation, the main barrier to it in the ECAFE

region is the demand for the goods produced by these countries. Any attempt by the developing countries to enter the markets of developed countries is bound to meet with intense resistance. Textile is a striking example of this.

Spelling out the economic rationale of regional economic co-operation, the working paper points out that considering the low level of income the home markets of many countries in the ECAFE region are far too narrow to support a minimum size of efficient plant in a great number of industries within their territories. For instance the cost per ton of finished steel produced at a one-million-ton steel works is 127.16 dollars as against 137.50 dollars per ton produced at a 500,000-ton works and 158.77 dollars per ton produced at a 250,000-ton works and 209.36 dollars per ton produced at a 50,000-ton steel works. Yet except for mainland China, India and Japan, the annual consumption of crude steel in other countries of the region is about 100,000-400,000 tons. Similarly the per ton cost of cement produced at a 1,800,000-ton factory is 13.9 dollars as against 16.4 dollars per ton produced at a 900,000-ton factory and 26 dollars per ton produced at a 100,000-ton factory. Still the capacity of cement factories built in this country and Ceylon range from 100,000 to 150,000 tons. More, where modern technology dictates a minimum productive capacity far in excess of the potential demand of these countries, or where the investment requirements in certain lines of production surpass the financial capacity of a single country some form of joint industrial project planning may be the solution. In some cases a country's market may be large enough to absorb, for instance, the capacity output of an optimum-scale automobile plant, but it may still be too small to produce steel and all automobile parts within the country. Yet in order to bring down the costs of motor vehicles to an internationally competitive level, it may be very important to assure the supply of parts at a low cost. In these circumstances a programme of integrated industrial development through co-

operation between neighbouring countries may be indicated. The country in question could offer preferential treatment to imports of automobile parts and other intermediated goods from other countries in return for similar treatment granted by other countries to the finished automobiles. Thus with integration, industry can be organised on an economically sounder basis.

The waste of development efforts involved in industrial planning on the basis of small and economically non-viable watertight compartments can be gauged simply by reference to the lists of so-called pioneering industries, enjoying varying degrees of tax exemption and tariff protection in a number of less developed countries. The ECAFE paper is of the opinion that even the infant national industries should not be insulated from competition altogether, in order to raise their efficiency levels. In Europe, the customs union and the free trade area were introduced after national industries had been established on a protective basis. In Asia and the Far East, it might be necessary to introduce, freer trade by mutual agreement to avoid unnecessary inefficiency from the very beginning, even before there is any substantial degree of industrial development.

The working paper also suggests fruitful co-operation in the field of agriculture among the countries of the region and regards the concept of self-sufficiency in foodgrains as outdated. For example, if Indonesia diverts land and other resources from rice production for domestic consumption to sugar production for export, and the rice deficit is met by imports from Burma, for the region as a whole this would mean an increase in extra-regional exports from Indonesia and a decrease in extra-regional exports from Burma. If the foreign exchange earnings from Indonesian exports of sugar exceeded those lost on Burmese rice, it would be in the interest of the two countries to co-operate in the manner indicated, since both countries would gain. Similarly India could save capital by not attempting self-sufficiency in rice by importing rice from Burma in exchange for textiles in which a large amount of surplus capacity exists in this country.

The working paper claims that the analyses presented in it are not intended to be an academic exercise.

Regional co-operation today is a pressing challenge to economic statesmanship in Asia and the Far East. It urges the economic policy-makers in the region to convert this idea into reality. Already some countries in the region are examining the question of setting up such a framework for economic co-operation with their neighbours. The ECAFE Secretariat has been pursuing this idea now for quite some time. In an earlier paper entitled "Regional Market Arrangements with Reference to the ECAFE Region", it was suggested that a group of ECAFE countries should examine the possibilities of sectoral integration on the line of the European Coal and Steel Community. The ECAFE Secretariat has also formed a study group under the chairmanship of Shri K B Lal to examine the question of increasing intra-regional trade and co-operation. To give practical shape to the proposal of

joint industrial projects, the ECAFE is fathering a proposal of setting up a one million-ton steel plant at Singapore based on iron ores from Malaya and coal from Phillipines.

Economic rationale of regional co-operation is undoubtedly sound. However, two pertinent questions are being currently examined in this connection. Firstly, whether the political pre-requisites exist in the region for such close co-operation, and perhaps ultimate economic integration. In Western Europe and among Communist countries co-operation was effective primarily because of the identical political outlook of the countries concerned. Second, the most important argument in favour of co-operation — lack of resources and smallness of the market does not apply to India. The discussion at the current conference will reveal the reaction of other countries to the move.

International Labour Review

Monthly. Articles on economic and social topics. Current information. Bibliography. A statistical supplement gives information on employment, unemployment, wages, consumer prices, etc. Among recent articles have been the following:

Immigration of Foreign Workers into the Federal Republic of Germany, by *Heinrich M Dreyer*

Observations on the Financing of Social Security in the Common Market Countries, by *Jacques Jean Ribas*

Economic Growth and Social Policy in Latin America: the Seventh Conference of American States Members of the I L C

The United States Labour — Management Reporting and Disclosure Act, 1959: Its Background and Early Operation, by *Morris Weisz*

Recent Trends in Labour Legislation for Hired Agricultural Workers in Latin America

Bibliography Statistics: October 1960 Inquiry

A specimen copy of the *Review* and a catalogue of International Labour Office publications will be forwarded on application to the International Labour Office, Geneva, or to the I L O Branch Office, 1-Mandi House, New Delhi

Annual subscription: Rs 30.00 Single copies: Rs 3.00

(Published in English, French and Spanish editions)

Preparing for the 'Deluge'

Romesh Thapar

DELHI is preparing for the 'deluge' — not the rain which announces the arrival of cooler days and even cooler evenings or, for that matter, the cloudbursts which seem to choke every drain in the city, but the deluge of visitors. This year the capital is going to have quite a time.

Apart from the normal quota of visiting Heads of State and delegates to conferences, both international and regional, we are in the throes of another industrial fair. This has brought the specialists of the advertising world — visualisers, artists, designers and 'fixers'! Then will follow the business executives of differing denominations to survey the handiwork of their handymen. And, to top it all, some 25,000 foreign visitors are expected in the capital during the next three months.

What all this means in terms of housing and other facilities can only be left to the imagination. There is not a room available — contacts or no contacts. Vacant flats are few and far between; indeed, rumour has it that the Tourist Department is encouraging the wholesale take-over of 'living space'! Result; short-term leases for accommodation have doubled over the last few weeks.

The E C A F E Conference of Asian Planners, now meeting in Delhi, seems to have been planned with an eye to convenience — that is, just before the expected deluge. That India considers it a vital conference is clear from the 'red-carpet' treatment of delegates and observers. Nothing is to be spared to ease the process of persuading the member countries to respond sympathetically to two suggestions — the setting up of an Asian Institute of Economic Development and a Regional Advisory Group on Economic Development Planning. These two bodies, it is hoped, will overcome objection to the till now gently-projected South Asian Common Market, on the part of the countries of South Asia which are wary of getting tied up with comparatively affluent neighbours.

India, an 'affluent' neighbour, is

persuaded to take a lively interest in the South Asian Common Market concept following the United Kingdom's decision to join the European Common Market. There is pressure, too, from business circles who believe that Britain's entry into the E C M will mean the loss of valuable markets for Indian exports. Of course, the big question mark remains: is it possible to develop any sizeable and initially beneficial trade within an under-developed region which has a restricted consumer market?

A growing and influential lobby is at work in Delhi to convince the Government of India that if a South Asian Market is insulated against the economic penetration of China and the leakage of goods through the free port of Hong Kong is 'plugged', Japan and India can divide the Market without undue friction. But it will take some persuading for it will not be easy to compete with Japan.

Vague and Tentative

Inevitably, thinking in certain official circles is turning to the idea of an 'associative relationship' with the European Common Market. This relationship would be based on coming to profitable arrangements with European combines which would be asked to establish large-scale industries in India with their capital and know-how to feed the South Asian Common Market with urgently needed goods. These manufactures would not be released in the internal market — a necessary step, it is said, to preserve growing national enterprises — but foreign earnings would be divided between these combines and the Government of India. Apart from foreign earnings and the spread of new technical skills, a considerable increase in employment is forecast. The Finance Minister, it is said, will be exploring the possibilities during his present trip abroad. Of course, the repercussions of such a policy would be profound — and it is only too clear that thinking on the subject is vague and tentative. The E C A F E Conference of Planners may bring issues into sharper focus.

While some tackle the problems of regional integration, others are

assembling in the capital to debate national integration. And this truly is the ironic aspect of the situation in our Asian countries. Not much is expected of the 'integrators' — familiar names and familiar viewpoints will yield the familiar slogans. But here is hoping that the deluge of conferences, seminars, exhibitions, visitors and what-have-you for which Delhi is preparing, will wash away some of the intellectual mud and slime and yield a few grammes of sanity.

And sanity is certainly scarce. The long drawn-out fast of Master Tara Singh, the counter fast, the mediatory efforts of a host of political have-beens, the numerous 'break-downs' in compromise talks and the fatuous solutions offered by the Akali Dal — all have served to emphasise the bankruptcy of political initiative. The only extraordinary fact to be noted is the comparative calm which prevails in the Punjab, police-imposed or otherwise.

That unhappy and much-divided State, situated on the still tense border with Pakistan, has always been inhibited about political action which openly challenges Central authority. Perhaps Master Tara Singh has seized an inopportune moment for his fast unto death. The elections are approaching and the supporters of the Punjabi Suba demand may have decided to use their ballots to conquer their opponents.

But what will be the fate of those who are fasting unto death. Judging from what goes on these days in the capital, the party in power does not seem to be unduly concerned. This is a dangerous mood.

There is general appreciation about the firm stand taken by the Prime Minister, but having broken the Akali dream of an easy victory, there is logic in the view now beginning to be expressed that whatever hold the Akali leadership has in the Punjab must be weakened by positive steps to neutralise the tensions which undoubtedly plague life in that State. A significant pointer is the Communist confusion over the issue. A more energetic handling of the situation would help towards stability during the crucial months preceding the general elections.

From the London End

Not Out of the Woods Yet

THE usual spate of statistical information about the economy at this time of the year, gives one the opportunity to assess the state of the British economy. The general impression that one gets is that although there has recently been some improvement in the performance of Britain, both in the field of production and trade, this improvement is only slight and cannot be taken to indicate that Britain has recovered from the industrial stagnation of the last few years. The figures for industrial production, which take the story up to the end of July, give us a picture of the state of the British economy at the time when Mr Selwyn Lloyd decided to intervene with his regulators. The trade figures take us up to the end of August.

Industrial production continued to rise in July, but the rate was steady rather than spectacular. On a seasonally corrected basis, the index for all industries reached the record level of 125, one point above the final figure for June. The rise in the index was due to the continued high level of activity in the building, civil engineering, machine tool and general engineering industries. Although car production in July was at its highest level since last September, the average level of output is now almost certainly falling and production of commercial vehicles also seems to be slightly less buoyant. Steel is one of the industries which have been causing concern; output has been falling for some months, and the industry now believes that it will be lucky if it achieves a total output of 23 million tons in 1961. It will be recalled that the forecast early this year was that production would be between 24 million and 25 million tons. There has been no improvement in production by the textile, leather and clothing industries.

It seems unlikely that the measures introduced by Mr Selwyn Lloyd will assist industry in its efforts to maintain the improved trend, although some little time must obviously pass before the index of production can be expected to give an accurate indication of the effect of these measures. Demand

for capital goods, which account for about one-third of total production, is probably still growing. The machine tool manufacturers still claim to be stretched to capacity with delivery dates lengthening, but it must not be overlooked that the growth in overseas orders for machine tools conceals an appreciable drop in forward ordering from British companies. All in all, it seems more than likely that industrial production in 1961 as a whole will show a 5 percent rise over 1960.

Rise in Exports Vital

Without a significant increase in exports, production in manufacturing industries may well be heading for a plateau. In this connection, it is the performance in the field of trade that is of vital importance to the economy. The figures for August, the latest to be released, show that on a seasonally adjusted basis, the gap between imports and total exports was cut to £22 m—a drop of £9 m from the July level—and was only £1 m bigger than in June, when the deficit was the lowest of the year.

Foreign Trade

	Monthly Averages		
	August 1961	1961 Jan-Aug	1960 March-Dec
Seasonally Adjusted			
Exports	324	310	293
Re-exports	15	13	12
Imports	361	370	383
Trade gap	22	47	78
Recorded Figures	1961 July	1961 Jan-July	1960
Exports	305	311	296
Re-exports	13	13	12
Imports	359	372	380
Trade gap	40	48	72

But perhaps the most disquieting aspect of the trade returns is the rise in the volume of goods sold abroad. On a seasonally adjusted basis, U K's exports over the past four months have improved by 2 percent over the February/April period. In the first eight months of 1961, imports were 4½ percent higher than the average for 1960. Thus, much of the improvement in the trade balance is clearly due to the lower rate of imports, which in the May/August period were 2½ percent lower than in the previous three months. The slow but persistent fall

in imports since the closing months of 1960 is reflected in the Board of Trade's estimate of the stock position. On a seasonally adjusted basis, at 1954 prices, the rise of £55 m in the value of stocks in the second quarter of 1961 was the smallest for any quarter since the middle of 1959. In the first half of 1961, stocks have risen by only £125 m compared with the rise of £307 m in the second half and £234 m in the first half of 1960.

Payments Gap Narrows

The balance of payments figures, which have just been released, confirm the improvement in visible trade which the monthly returns had suggested. More important, they show a slight improvement in the invisible account, the deterioration in which is mainly responsible for many of Britain's present difficulties. But it should be remembered that last year, invisibles recovered sharply at this period and, therefore, the movement is probably seasonal rather than permanent. The capital account figures, however, are discouraging (See Table).

In the first half of 1961 (excluding the £130 m of the Ford deal), the net outflow of private capital amounted to £165 m. In 1960 for the whole year, it amounted to £92 m and for the period 1958/60 as a whole it averaged only £120 m a year. Perhaps the explanation lies in the fact that so-called long-term investment capital, which moved into the London Stock Exchange last year, moved out again with the 'hot' money in the first half of this year. Also, perhaps the more definite prospects of Britain joining the Common Market have caused an upsurge of direct investment in Europe of which the recent case of the Metal Box Company is an example. Excluding the Ford deal and a German debt repayment, the increase in net capital outflow has cancelled out altogether the improvement in the current balance. To sum up, one may say, that the U K's current balance of payments has improved, but only because of a fall in imports mainly as a result of the reduction in stock-building by industries, which is essentially tem-

	Balance of Payments (£ million)				1961 †	
	I	II	III	IV	I	II
CURRENT ACCOUNT						
Imports (f o b)	1022	1029	1005	1054	1050	1021
Exports (f o b)	966	942	859	945	982	981
Visible balance	— 56	— 87	— 146	— 109	— 68	— 40
Government (net)	— 75	— 67	— 69	— 73	— 85	— 86
Other invisibles (net)	+ 87	+ 104	+ 79	+ 73	+ 85	+ 111
Identified current balance	— 44	— 50	— 136	— 109	— 68	— 15
LONG-TERM CAPITAL ACCOUNT *						
Inter-Government loans (net)†	— 17	— 20	— 14	— 40	— 21	+ 23
U K subscription to I M F, I D A and European Fund	+ 1	—	—	— 11	—	—
Other U K Official long-term capital (net)	—	— 2	— 1	—	— 2	— 11
Private investment (net)	— 37	— 63	— 36	+ 44	+ 48	— 83
Balance of long-term capital	— 53	— 85	— 51	— 7	+ 25	— 71
Balance of current and long-term capital	— 97	— 135	— 187	— 116	— 43	— 86
Balancing item	+ 123	+ 60	+ 115	+ 66	+ 72	+ 25
MONETARY MOVEMENTS *						
Overseas sterling holdings :						
(a) R S A countries	— 34	+ 4	— 97	— 97	— 39	+ 163
(b) Non-sterling countries	+ 19	+ 118	+ 226	+ 241	— 131	— 175
(c) Non-territorial organisations	— 17	— 27	— 57	— 55	+ 4	— 1
Gold and convertible currency reserves	— 16	— 40	— 77	— 44	+ 75	+ 89
Other monetary movements	+ 22	+ 20	+ 77	+ 5	+ 62	— 15
Balance of monetary movements	— 26	+ 75	+ 72	+ 50	— 29	+ 61

† These figures are provisional.

* Assets : Increase(—) decrease(+). Liabilities : Increase(+)/decrease(—).

porary. Exports must be increased, not only to match the prospective rise in imports and to make good the loss of invisible income, but to allow a larger capital outflow.

One of Britain's main problems is that foreign exchange income from invisibles can no longer be relied on to cushion the adverse balance of visible trade. This surplus was intimately bound up with Britain's past commercial dominance and the world-wide role of sterling. The declining role of these invisibles has now brought Britain on par with most other countries in Europe and has, in turn, forced the Government to re-examine the role of sterling and the Commonwealth. There has been much discussion in recent years of the disadvantages of having sterling as a world currency, and, as for the Commonwealth, the fact that the U K's share of Commonwealth trade has, in fact, been falling steadily for many years, has not gone unnoticed. It now seems obvious that the decision of the Government to negotiate with Europe marks the beginning of a complete reappraisal of Britain's position in the world of trade. One of the factors behind the decision to apply for membership of the European Economic Community is obviously the disappearance of Britain's favourable balance on invisible items.

Investment below Expectation

The latest figures on capital spending show that investment this year by the manufacturing industries in new buildings, vehicles, plant and machinery, will now almost certainly fall below the very high level anticipated eight months ago. The revised estimates issued by the Board of Trade on September 18, show that the size of the jump over the 1960 level of capital expenditure will be nearer 21 percent than the 30 percent which seemed likely in January. Capital expenditure by the manufacturing industries in 1960 was estimated to have totalled £1,034 m, an increase of 18 percent over the 1959 figure. The new estimate of a possible 21 percent improvement this year, compares with an actual increase, at current prices,

of 28 percent in the first six months of 1961 over the comparable period of 1960. Significant downward revisions in proposed expenditure in the motor vehicle industry are mainly responsible for manufacturing expenditure, in 1961, increasing less than expected earlier.

From the wealth of statistical data available in the National Income and Expenditure Blue Book 1961 which has just been published, the following figures may be mentioned here. In 1960 gross national production went up by 6 percent to £22,316 m; domestic investment spending rose steeply: fixed investment by 10 percent and investment in stocks by over £400 m. Private spending was up by 4½ percent and spending by Government and public authorities by 6½ percent. Imports were up by 13 percent over 1959. Company profits increased by 7 percent and rents rose by 4 percent. But the real position of the people in the so-called affluent society of Britain is illustrated by the fact that of the 26.5 million wage and salary earners, 10.9 million earned less than £10 a week and over eight million less than £8 a week in 1960.

State of European Trade

The latest United Nations report on European trade has certainly given added ammunition to those in Britain who are in favour of joining the Common Market. The figures released show the dynamism of the economies of the common Market countries of Western Europe. Trade among these countries over the last four years has risen by as much as 25 percent as compared with the 8 percent rise in trade between E F T A countries during the same period.

Reviewing Europe's place in world trade the recently published Economic Commission for Europe's Bulletin

	Western Europe's Trade									
	Imports c i f					Exports f o b				
	1959	1960	1st half	2nd half	1st half	1959	1960	1st half	2nd half	1st half
TOTAL	+ 6	+ 18	+ 22	+ 15	+ 6	+ 8	+ 14	+ 20	+ 9	+ 5
Area of origin and destination										
W Europe	+ 11	+ 19	+ 24	+ 15	+ 10	+ 11	+ 20	+ 25	+ 16	+ 11
Rest of World	+ 1	+ 18	+ 20	+ 16	+ 2	+ 6	+ 8	+ 15	+ 1	— 3
of which :										
N America	— 5	+ 45	+ 41	+ 40	+ 8	+ 31	— 5	+ 6	— 14	— 17
E Europe and Soviet Union	+ 15	+ 17	+ 17	+ 18	+ 8	+ 9	+ 28	+ 39	+ 19	+ 12
Japan	+ 15	+ 33	+ 30	+ 37	+ 18	+ 30	+ 15	+ 9	+ 22	+ 28
Primary exporting areas	+ 2	+ 8	+ 12	+ 4	— 1	— 3	+ 11	+ 16	+ 5	— 1

Source : O E E C Statistical Bulletin.

tin records that in 1960, as in 1959, Europe's share in world exports and imports, increased significantly, although this was largely the outcome of increased trade among European countries themselves. A significant feature is that the rise in European exports to the rest of the world was slower than that in total world trade. Indeed, countries which rely on the export of primary products can take but small comfort from these figures which underline the grave apprehensions of countries like Australia that

the U K's entry into the Common Market may lead to a further contraction in the markets for primary products. Although it is true that Western Europe's imports from primary commodities exporting countries went up by 8 percent in 1960, this rise was very small when compared with the rise in Europe's imports of manufactured goods from other countries in Western Europe and from North America (see Table). Particularly significant was the fact that increased purchases of raw

materials were made mostly in the developed, and not the under-developed countries, and even in the commodities which are supplied to Europe principally by the under-developed countries, the latter's share of trade declined. Thus, the experience of the most recent industrial boom in Western Europe is certainly discouraging for the primary products exporting countries. The gap between the rich and the poor countries appears to be growing in international trade.

Letter from South

Weak Links in Health Programme

HYDERABAD, with its central location and moderate climate, is fast becoming a favourite venue for all-India conferences and meetings. The latest conference to be convened here was the ninth meeting of the Central Council of Health. The Central Council is the highest policy-making body in respect of subjects pertaining to health. The review of the progress of health programmes by the Union Minister of Health, Shri D P Karmarkar, who presided at the Council meeting, disclosed a picture of the nation's health which was not altogether healthy. Compared to the position in 1951, considerable progress has indeed been achieved in a number of directions, leading to a significant reduction in the death rate generally and in infant mortality in particular. But in many other respects the picture is depressing and the progress halting. It may be mentioned here that the State Governments are directly responsible for implementing many of the programmes in the sphere of public health, administratively and financially. Actually, the Central schemes are only three in number, namely, post-graduate medical education, research in indigenous systems of medicine and family-planning.

Judging by the number of institutions it would seem that there has been progressive improvement in the facilities for medical education during the last twelve years. The number of medical colleges increased from 25 in 1947 to 61 in 1960 and the number of students rose to 6,000. Facilities for post-graduate studies in medicine are expected to be expanded with the implementa-

tion of a scholarship scheme formulated by the Centre. A provision of Rs 10 crores has been made in the Third Plan for indigenous systems of medicine. The Central Council of Ayurvedic Research has also finalised a scheme to train proficient vaidyas-cum-basic doctors. This scheme would be implemented during the Third Plan.

Family-planning occupies a place of high priority in the Health Ministry's Third Plan schemes. Of vital significance to the programme during the next five years is the proposed expansion of facilities for consultation and advice on family-planning and for sterilisation. There are at present 4,000 centres providing family-planning advice and the number of sterilisation operations so far carried out is said to be about 1.5 lakhs. Sterilisation as a policy has been criticised but it would seem that, when other measures do not have the desired impact on the birth-rate, it is the only effective measure. It is widely recognised that in implementing the sterilisation programme the efforts of official agencies could be very fruitfully supplemented by educative propaganda by voluntary organisations like the All-India Family Planning Association and its branches and women's organisations.

B C G: A Failure?

The last two Plans witnessed considerable progress in the fight against communicable diseases. The malaria eradication programme now covers almost the entire population, thanks to the aid given by the Technical Co-operation Mission. The complete success of the programme, however, is still a distant target.

We are yet far from winning the fight against smallpox, cholera and filariasis; the incidence of the last-mentioned disease is actually on the increase owing, it is said, to the process of urbanisation. The Union Minister of Health announced at the meeting that the Central Government would subsidise completely all State Government schemes for the eradication of smallpox. Success in fighting cholera is linked to the progress of the scheme for provision of pure drinking water in the villages which, unfortunately, is making very slow progress.

There is complete unanimity on the importance of providing pure drinking water to rural areas. That notwithstanding, at the end of the Second Plan a substantial proportion of the allocation for this programme had remained unutilised by the State Governments. The Central Health Council's concern in this respect was obvious from its recommendation that State Governments should take early steps to implement rural water-supply schemes from the allotments to them for local development works. These schemes are now being held up apparently for lack of proper designs and the paucity of trained personnel in the public health directorates in the States. It is distressing that allotments available under the national water-supply and sanitation schemes remain unutilised because of the State Governments' lack of enterprise. The complaint of the Andhra Chief Minister, Shri D Sanjeeviah, that the allocation for Health in the Third Plan was meagre, reads strangely in the light of the above facts.

Book Review

Measurement of Well-being

Sreelekha Basu

Infirmities of Per Capita National Income Estimates When Employed to Compare Levels of Living between Developed and Retarded Areas, By Harry Stark, Published by University of Miami Press, Florida. Pp 32, Price not mentioned.

HOW can one accurately assess the standard of living of a developed or an under-developed country? There are various statistical measures, but per capita income has been taken as the most reliable and comprehensive indicator of the economic progress of a region. However, there are some complex questions connected with the reliability of the per capita national income figures when employed to measure the material well-being of a country or to compare the levels of living in developed and under-developed areas.

Professor Stark asks: why have per capita national income estimates of different countries indicated differences in levels of living much wider than exist in fact, thereby influencing the allocation of the limited aid-funds amongst the various retarded areas? He finds the answer to his question in nine statistical infirmities which vitiate the per capita income estimates, when employed to measure the living conditions, leading to mistakes in the formulation of policy. All these infirmities do not lend themselves to numerical measurement nor can they be corrected by subsequent adjustments. But Professor Stark outlines methods whereby some of these infirmities, the most distorting ones, may be measured and remedied or circumvented, and draws attention to the presence and distorting effect of other infirmities which defy quantitative measurement or adjustment.

Non-Monetary Income

Some of the infirmities noted by Professor Stark may be mentioned here. Infirmity C—failure to take account of non-market income, i.e. non-monetary part of the real income,—is the most distorting element in an underdeveloped country with a predominantly rural population. Items which do not enter the market, like home-produced meals, beverage and clothing, home laundering, self-constructed dwellings, self-performed services or those rendered for relatives and friends, etc, repre-

sent a significant proportion of real income, values for which should be imputed to arrive at comparable per capita income data.

Professor Stark notes, this is rather a sin of omission, and given enough time and funds, it is possible to uncover, list and impute values to most of the non-market items with the help of investigations and special studies. But infirmity D—understatement of income with a view to avoid taxes and circumvent control laws—which may conceal a considerable part of the total real income, cannot be overcome by the questionnaire technique. Pending availability of the necessary data, rough assumptions based on indirectly related information have been recommended.

Infirmity H—unevenness of income distribution—underlines a very interesting point, viz, that per capita income data do not take into account differences in the unevenness of the distribution of income in different countries. In most of the underdeveloped countries, a large percentage of national income goes to a very small percentage of the population; the rest of the population receive a very small part of the national income. Thus, per capita income figures do not reflect the welfare of the average person. Disparities in the distribution of income arise from various reasons, from such long established features of the society as feudal rights and tenures, or from the privileges and handicaps associated with the social structure, from lack of social mobility and also as a result of inflationary influences. Further, in a growing economy, high incomes are mainly due to the accrual of capital gains and to trading and speculative profits. Hence, the use of per capita income figures, for comparing the standard of material well-being of various countries, has serious limitations unless we know the trends of distribution of the total income and the differences in their skewness. In developed countries, per capita income comes closer to reflecting the

welfare of the average inhabitant. As such, this infirmity tends to narrow down the differences in the so-called levels of living between developed and under-developed countries, in contrast to the other infirmities mentioned above, which widen it.

Infirmity J—influence of accumulated wealth in the material well-being of an average inhabitant of a country—also distorts the real picture. But few countries have so far been able to collect data about infirmities H or J, and no adjustments are possible without the necessary information.

Amongst the three infirmities which, according to Professor Stark, cannot be quantitatively measured and adjusted, the most important one appears to be the "essential and non-essential income components (E)". Essentials make a more substantial contribution to well-being than the non-essentials, and the overall per capita figures which do not make any distinction between these lead to a faulty conception of disparity. The only adjustment suggested for these distorting elements is to "emphasize the importance of calling attention to and of making allowances for them."

Regional Disparities

The book seeks to raise some fundamental issues connected with the difference between real per capita income and the published estimates and suggest means to bring official per capita estimates, especially those destined for use in international comparisons, into closer agreement with real incomes. Some of the difficulties can be circumvented by "building up totals mainly through the use of production statistics." But that does not solve the problem in full. Professor Stark looks at the question from the point of view of the policy makers. The discussions will help statistical authorities in underdeveloped countries in improving their estimates of national and regional income, and in their policy decisions relating to balanced regional development. In

India, for example, one of the objectives of our Plans is to reduce disparities between regions and to assist the States that have lagged behind and to bring them upto the level of the other States and close to desirable national standards. Here also, the per capita income estimates of the different States would no doubt

constitute the most pertinent single measure, but for the infirmities noted by Professor Stark. In practice all available indicators of the level of economic activity have been pieced together to arrive at a reasonably comprehensive and comparative picture of the level of economic and social development in the

various States. Professor Stark suggests studies on the wide variation in the levels of living between different parts of an underdeveloped country and expects that financial support would be readily made available to researchers for this purpose.



*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

The Tata Iron and Steel Company Limited

Social Action and Social Change

A P Barnabas

It is difficult to explain social change in terms of a single cause.

An attempt is made here to explain social change in terms of the theory of directive factors in social action. It is suggested that several factors taken together give a more adequate explanation of human behaviour than just one or two.

Some of the factors induce change; others inhibit change. Opportunity and ability tend to induce change. The factor that restricts change is habit.

The other factors in the theory—support, force, expectations, goals and values, self-commitment and the desire to live comfortably with oneself in the face of conflicts—act either as agents of change or retarders of change.

THE understanding of the phenomenon of social change has been a constant challenge to man. In spite of all the progress, both in technology and social theory, one is still unable to answer the why and the how of social change. The idea of "social change" and the effort to find an explanation to it are challenging but elusive. Parsons says: "A general theory of the process of change of social system is not possible in the present state of knowledge".

Why is the understanding of social change so difficult? In the first place, the definition of the social change poses a problem. A generally accepted definition is: "Significant alterations in the patterns of social action". The difficulty with this definition is that what is significant to one person may not be significant for another. The question is: "For whom is it significant and by whom is it considered so?" While most studies on social change accept the idea of "significant alterations", few of them define the term clearly.

The second difficulty with regard to the study of social change is that of measurement. "Social change refers to a pattern of social relationships in a given social setting which exhibits change over some defined period of time". It is almost impossible to get a real measure of change unless there are studies at two different points in time. This is not always possible. The problem is often handled in a single study (which most attempts usually are) by asking individuals about the changes they have made over a given period of time. Another way out is to fall back on available literature, both impressionistic and systematic to indicate the change.

A further difficulty with regard to measurement is the "unit" of study in social change. Does social change refer to the change of behaviour in the individual or in a group or in a community or in a society? In a totalitarian system the change of behaviour of an individual may be significant for the whole society while in other societies this may not be so. Individuals, of course, must change if society is to change, but then what part of society must change before it can be called "Social" change? If social change refers to change in community or society, the problem of measurement is all the greater.

Multiple Causation

The causative factors of social change are many. For a time there was a search for a single cause to explain social change resulting in various schools of determinism. However, there is now a greater acceptance of the idea of multiple causation. Some of these causes are manifest and others are latent. It is not always possible to discern all the manifest factors, let alone the latent factors. Naturally the understanding and the explanation of the phenomenon of the social change is complex. Under these circumstances, the prediction of social change and particularly the direction of social change is all the more difficult.

Another factor that makes it difficult to explain social change is that most of the theories that have tried to explain social change tend to be partial explanations of the phenomenon. The following theories could be listed as attempting to explain social change: The theory of economic materialism (Marx), economic theory of socialisation (Veblen), division of labour theory and

"Anomie" (Durkheim), social differentiation theory (MacIver and Page), socio-cultural theory of social change (Tylor Sumner and Ogburn), functional theory (Malinowski), multi-linear theory (Steward), and folk-urban continuum theory (Redfield). The concept of Sanskritisation as developed by M N Srinivas could also be considered as a theory which attempts to explain social change. Among the theories propounded to indicate the direction of change in society are linear, stage and cyclical concepts. As has been said above, these theories tend to be only partial explanations of social change.

A further difficulty in the explanation of social change is the confusion with regard to the difference between "social change" and "cultural change". "Culture signifies the social heritage — all that a given people have created or preserved including artifacts, customs, the technological system, social institutions, art, ideas and weapons. Cultural forms often have a long history and exhibit persistence and continuity". "Social" usually refers to the pattern of social relationship in a given social setting. That there is an inter-relationship between the two is obvious. The extent to which one is affected by change in the other is not a known phenomenon. Actually, for the situation in India (both urban and rural) the term "socio-cultural" change may be better fitted than just "social change".

Theory of Directive Factors

It has been pointed out that it is difficult to explain social change in terms of a single cause. It has been further stated that most theories are partial explanations. The

attempt in this paper is to indicate an explanation of social change based on the "theory of directive factors in social action".* The theory states that several factors give a more adequate explanation than one or two as to why people behave the way they do. The factors included are: opportunity, ability, expectation, goals and values, living comfortably with oneself in the face of conflict, support, self-commitment, force, unusual shared-experience, and habit, custom, and institutionalised behaviour.

The theory does not explain specifically the phenomenon of social change. It attempts to explain social action. Social action is any behaviour of an individual influenced by or directed toward other individuals, groups, or objects. Social change is composed of the cumulative actions of the individuals and groups and hence the theory should apply to social change. In describing social change, the characteristics of the people who adopt changes are often described and these characteristics are imputed as causes. The directive factor theory suggests that these characteristics are to be understood in terms of the factors listed in the theory.

Some of the factors induce change. Others restrict change. Some of the factors can act either as inducers of change or retarders of change. Opportunity and ability tend to induce change. The factor that restricts change is habit (also called custom or institutionalised behaviour). The remaining factors: support, force, expectations, goals and values, living with oneself in the face of conflicts and self-commitment can act either as agents of change or retarders of change. Support may be directed towards making a change or maintaining the *status quo*. Expectation may work either way. Individuals may be forced to change or may be forced to continue in set ways. In analysing social change, it is necessary not only to explain change, but also to explain why change does not occur. Each of the concepts in the theory is discussed in detail.

* As developed by Dr W W Reeder of Cornell University, U S A, in "Leadership Development in the Mormon Community", a paper read at the Rural Sociological Conference, Ithaca, New York, in September 1959.

Concepts and Their Dimensions

Opportunity

Individuals and groups will participate in a particular form of social action in relation to the number and kind of opportunities which the social structure provides to participate in that activity. The dimensions of the concept implied in the definition relevant to social change are:

- Opportunity to observe;
- Opportunity to learn or acquire knowledge;
- Opportunity to act;
- Number of opportunities;
- Easy access to opportunity;
- Distribution of opportunity;
- Perception of opportunity; and
- Affective opportunities.

The structure of the society in which an individual exists determines the number of opportunities that a person has for making changes. In a highly-structured society such as a totalitarian or feudal society, the opportunities for change will be few. In societies that have the *gemeinschaft* characteristics, the opportunities will not be as many as in a *gesellschaft* type of society. The *gesellschaft* society provides anonymity for individuals which, in turn, gives the individuals more opportunity to act the way they desire, but in a bureaucratic structure the opportunities for change are minimised.

A person is impelled to change when he has opportunities to observe new things. It is not sufficient for a person to be able to observe. He should have the opportunity of learning more about the aspect that he has observed so as to acquire confidence in the things that he has seen. Seeing and learning can result in action only when a person has the opportunity to act. Opportunity is a factor that tends always to be positive in bringing about change.

Ability

Individuals and groups will tend to participate in a particular activity when they are able to perceive themselves as being able to do what the situation requires. They will tend not to participate when they are not able or perceive themselves as not being able to do what the situation requires. This is suggestive of several dimensions which include:

- Physical health as ability;
- General intelligence as ability;
- Economic wealth as ability;
- Special skills as ability;
- Special knowledge as ability;

Two other dimensions may be added which help in explaining change:

Status of an individual as ability; and,

Possession of land and other material resources as ability.

The family in India tends to be patriarchal. The father, because of his status, has greater ability than the others to make change. The lowest castes are often made to conform to traditional patterns of behaviour by the upper castes. The upper castes have the higher status and hence, the ability to dominate the lower castes.

Resources can be either of a material or intellectual nature. Material resources can consist of possession of land, house, or car. Intellectual resources would be knowledge and skills. An individual may be aware that good seeds give better yield, but if he does not have land, he does not have the ability to use that knowledge.

Expectations

Individuals and groups tend to behave the way they feel that they are expected to behave in a situation. They tend to also act towards others in terms of their expectations of them. The following kinds of expectations may be derived as the dimensions:

- Self expectation;
- Self-other expectation;
- Group expectations;
- Expectation of others;
- Position expectations;
- Situational expectations; and,
- Social category expectations

Expectation can act either as an inducer of change or retarder of change. In certain positions such as that of the president of the Panchayat, a person is expected to make changes. The head of a caste is expected to conform to the caste rules and regulations. The very expectations prevent the head of a caste from trying to make changes, at least in certain areas in his life. The lower castes are expected to behave with deference to the upper castes. They are not expected to make changes which the upper castes have not made. The members of the upper castes are expected to behave

in such a way as to maintain the *status quo* and to keep the lower castes in their positions. In a village, a person is expected to conform to the values of the rural society which tend to be traditional. Thus, expectations tend to prevent the individual from making changes. If an individual goes to the city or gains higher education, he would be expected to make changes. Expectation can act positively or negatively with regard to change.

Goals and Values

"Individuals and groups tend to promote, protect, and maintain their primary goals and values".

"Sociologists, social psychologists, anthropologists have done a great deal of work on these factors under the headings of drives, wishes, needs, goals, values, interests and beliefs. The term 'goals' is used here to refer to the ends toward which the individual or group is striving, whether they be those of an ultimate nature or those which are instrumental in achieving a larger end. 'Values' refer to the beliefs which the individual has which influence him in his choice of goals. The beliefs may be those of the culture or may be gained from personal experience" (*Ibid*).

The above description suggests many dimensions. Some of these are:

- Drives;
- Wishes;
- Needs, Goals;
- Values;
- Interests; and,
- Beliefs.

The values and the beliefs which an individual holds guide and direct his behaviour. These beliefs and values are not easily changed. The values and beliefs are usually such that they protect and maintain their interests. They often determine the needs.

To bring about change it is necessary to change the values. Unless a person believes in the change that he has made, he is not likely to continue the new pattern of behaviour. Often the lag between the new pattern of behaviour and the existing values results in conflict leading to maladjustment. An attempt to adjust might result either in reversion to the old behaviour, or in changes of the values, or in further changes.

Change in any one of the dimensions is likely to bring about changes in other dimensions. The dimensions are closely related. In some societies conformity may be considered the best way to protect and maintain the goals and values. In such societies change is likely to be slow.

Living with Oneself in the Face of Conflict

Individuals and groups tend to behave in such a way that they can live comfortably with themselves and their close associates. The dimensions involved in living with oneself are the following:

- Rationalisation;
- Projection;
- Regression;
- Sublimation;
- Aggression;
- Substitution; and,
- Fantasy.

"Adjustment mechanisms" indicate a change in behaviour. In discussing values, the possibility of conflict and maladjustment were indicated. Before the maladjustment reaches serious proportions, it becomes necessary to adopt one of the mechanisms which are listed. While these adjustments may not be complete solutions to the problem, yet they will provide a basis for living comfortably with oneself. The adoption of some of these mechanisms can result in change, e.g. aggression, regression, substitution and sublimation. The other mechanisms are not likely to result in further change. Rationalisation may be for continuing an existing situation. Projection and fantasy may prevent any change in overt behaviour.

Support

"The concept of support is used in many different fields of human relations with meaning similar to that herein used. A father supports his family, or supports a son or daughter in a college; a legislator indicates his willingness to support and vote for a particular bill, the government and the courts support and back the officers of the law; air force and artillery units support an infantry unit in an attack; and a foundation gives financial support to help initiate a new programme. Agricultural price support is still another example. All of these supports have a common factor: some-

thing is contributed which increases the possibility for the individual or group to cope with the situation. The support involves an input of resources, money, manpower, votes or some other factor. With the support, participation is deemed possible, without it the activity may not be attempted" (*Ibid*). The description of the concept given is in terms of participation. The relevance of this factor to change will be discussed below. The support factor suggests many dimensions:

- Self confidence;
- Confidence in belief;
- Conformity to belief;
- Support of the family;
- Support of the caste;
- Support of the community; and,
- Confidence in the aspect changed (beliefs or material aspects).

Support in terms of social change refers to backing for a particular pattern of behaviour. The new pattern may be purchasing of a new thing or doing something differently. In an Indian village the individual is not entirely free to act on his own. Whenever he wants to act in a new way, in which he may have full confidence, he still has to assure himself of the support of his family, his caste, and the community (village). The support from any of these may be either for making a change or not making a change. One of the villagers had bought an improved plough. He was not using it. When questioned, he said that none in the village was using such a plough. Although he was convinced of the advantages of the improved plough, he did not want to behave differently from the other villagers. He felt that he would not have support from the other villagers if he behaved differently. Support can be for making changes or for maintaining the *status quo*.

Self-Commitment

Individuals and groups tend to do those things which they feel they have committed themselves to do. Self-commitment in its most obvious form consists of a statement or act in which the individual or group involved intentionally indicates that they will or will not do some particular thing. This act of self-commitment engenders a whole series of expectations for the parties concerned.

Several of the dimensions of this factor, which may motivate the indi-

vidual to behave in a particular way, are:

- Contracts;
- Agreements;
- Acceptance of membership in an organisation;
- Acceptance of office in an organisation;
- Expressed intentions;
- Expressed opinion and ideas; and,
- Providing ideas, efforts, and financial aid.

In the nature of the contract or agreement there might be implicit the conditions for change or for continuing in an established pattern. Acceptance of membership in an organisation may automatically commit a person either to change or not to change, depending on the objectives of the organisation.

When a person expresses an opinion in public regarding a particular situation, he may be held to this opinion. By expressing an opinion he would have committed himself to behave in a particular manner. Self-commitment can act either as inducer of change or retarder of change.

Force

Individuals and groups do those things which they are forced to do and for which they see no alternative. The dimensions suggested by this concept are:

- Physical force;
- Law or social prohibition;
- The only acceptable alternative; and,
- Force of circumstances, e.g. sickness, accident, or election to an office

Force can be a negative factor, retarding change. Many forms of social control can be considered as force. Pressures from family, group, caste or religious institution can prevent a person from behaving the way he wants to. A law can prohibit a particular form of behaviour.

Force can also act as a positive agent in bringing about change. Persons who accept certain kind of occupations have no alternative but to conform to the expected pattern of behaviour of all who are engaged in that occupation. A law can also force people to change their behaviour.

Habits and Institutionalised Behaviour

While an individual or group may adopt a particular form of behaviour

for any one or a combination of the reasons given above, the behaviour pattern may soon become habitual for the individual or institutionalised for the group. Once established as a habit or institutionalised pattern, it may continue even though the values, expectations, and supports which brought it into existence change.

This is the only factor that acts in a negative manner alone, i.e. it acts as a preventative to social change. Rural ways tend to be traditional and customary. Such behaviour is not easily changed for it provides a sense of security. Any change that is in conflict with the institutionalised patterns of behaviour with regard to the family or caste or religion, is generally resisted.

Unusual Shared-Experiences

When people share in some unusual events, such as floods and cyclones, these experiences will tend to make them behave in a different way. A village in U P was almost completely destroyed by fire. The village had to be rebuilt. It was possible to rebuild the village as a model village with the consent of the villagers. Under catastrophic circumstances, it is easier to bring about change.

The factors have been explained above as though they are independent variables. The author of the theory points out that "in most situations, not one but several factors are operative and tend to produce a cumulative effect". It was indicated earlier that the tendency at present is to explain social change

in terms of many factors. An individual may have opportunity, but not ability. He may have opportunity and ability but might feel that he might not have support. One must not lose sight of the interdependence of the factors in understanding or analysing any aspect of human behaviour, particularly change in behaviour.

The phenomenon of social change is difficult to understand due to various reasons. The idea of multiple causation in social change is now generally accepted. The present paper has tried to indicate a theory of social change based on the theory of directive factors in social action. The theory of directive factors suggests that several factors give a more adequate explanation of human behaviour rather than one or two. Social change is one aspect of human behaviour. The suggestion is that an individual or a group will tend to change or not to change depending on whether, opportunities, abilities, support, expectations, force, self-commitment, goals and values, and the desire to live comfortably with oneself, act as inducers of change or not. Habits or institutionalised behaviour always tend to prevent change in the behaviour of people. The various factors mentioned could be independent variables in individual or group behaviour however, more often than not, several of the factors together would be responsible for making people behave in a particular way. The interdependence of the factors must be taken into consideration in analysing change or lack of change in the behaviour of the people.

Britain at Indian Industries Fair

"BRITAIN as India's industrial partner" will be the theme of the British exhibit at the Second Indian Industries Fair to be held in Delhi from November 14, 1961 to January 1, 1962. The exhibit, which will be the most ambitious Britain has ever had in India so far, is designed to give an overall picture of the extent and variety of the British contribution to the industrial development of India.

The British pavilion will be in two major sections. The first section will be devoted to the official exhibit, "Britain: India's industrial partner" and will cover about

11,000 square feet. The object of this exhibit will be to outline Britain's continuing contribution to the industrialisation of India and it will include sections on finance, transport, communications, power, industrial production, health and scientific research. This will lead into the second section — the commercial display — in which British firms as well as Indian firms with British connections will stage individual display of their products. This section will cover about 26,000 square feet and accommodate 50 firms in all. Ten other firms with British connections will exhibit independently in their pavilions on adjacent sites.

Case for an Agricultural Income Tax

Yoginder K Alagh

It is contended here that agricultural income-tax has an important role in mobilising financial sources from the agricultural sector and in imparting a measure of progression to rural tax.

Contrary to the general belief, imposition of ceilings on land holdings does not detract from the need for an agricultural income-tax.

In the States which now levy agricultural income-tax, the yield from the tax has grown in proportion to total tax revenues.

Nor does the fact of small peasant proprietors predominating in the rural economy render the tax inapplicable for administrative reasons. The technique of presumptive assessment, already in use in the country for assessment of land revenue, can be used to assess the tax liability of small holders.

IMPOSED for the first time in Bihar in 1938, the agricultural income tax in its infancy, was, for obvious reasons, a great favourite with economists and also received support from official bodies reporting on taxation. [See, for example, Government of Madras, Land Revenue Reforms Committee, Second Report, Ch 3, Pps 39-46 and Government of India, Taxation Enquiry Commission, Vol 3, Pps 198-205 and Pps 222-224]. By 1951 seven States were levying this tax: Bihar (1938), Assam (1939), West Bengal (1944), Orissa (1948), U P (1948), Hyderabad (1950) and T C (1951). Two more States, Rajasthan and Madras joined in 1954. This tax was repealed in Hyderabad and U P in 1957 and in Rajasthan in 1960, but after the reorganisation of States, it was introduced in Kerala and Mysore (in 1957 for land under commercial crops only). At present, therefore, seven States are again levying it, namely, Assam, Bihar, Kerala, Madras, Mysore, Orissa and West Bengal. We may now go on to examine the coverage and the structure of this tax.

One of the basic factors which determine the coverage and structure, and therefore, naturally, the yield from a tax on income, is the 'concept of income' which is to be used as a tax base. In the case of the agricultural income tax, therefore, the concept of 'agricultural income' on which this tax is based, is crucial. For the purposes of agricultural income taxation, the definition of 'agricultural income' given in the Indian Income Tax Act, 1922, Section 2-(2) is usually accepted. Liberally interpreted this includes most incomes originating from the rural sector, including income from the practice of agricul-

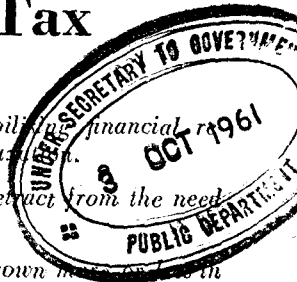
ture, income from various allied services and rents on both land and buildings in this sector. The judicial interpretation of these provisions has therefore been fairly liberal, both in the interpretation of the coverage of the agricultural sector, and in including in income, for the purposes of a State, all agricultural income accruing to the residents of the State and not only the income originating in the State itself. However, in one important sector, viz agricultural income of companies, judicial interpretation has tended to somewhat limit the scope of Guzzur agricultural income. In the case of Mrs Bacha F Guzzur, Bombay, Vs Commissioner of Income Tax, Bombay, the Supreme Court of India ruled that dividend income received by an assessee is not agricultural income. Thus the shareholders of a company earning agricultural income, were not liable to pay agricultural income tax, either themselves or by deduction at source. Thus the States could collect agricultural income tax from companies, only by taxing them directly. Most of the States levying agricultural income tax, therefore, amended their tax structure accordingly. [See for example Govt of West Bengal, 'The West Bengal Agricultural Income Tax (Amendment) Act, 1957']. Actually apart from Madras and Mysore, which also levy this tax mainly on plantations, the other States have a separate Schedule for the taxation of agricultural income of companies, and in the process of amending this portion of their Agricultural Income Tax Acts, they also raised the rates of this tax.

Two Broad Types

There are two broad types of agricultural income tax structures in India. We may call one the 'sche-

dular agricultural income tax' and the other the 'plantations, agricultural income tax.' To the former category belongs the more general type of agricultural income tax, as it is in operation in Assam, Bihar, Orissa and West Bengal and as it was in operation before it was repealed in U P, Rajasthan and Hyderabad and to the latter category belongs the tax as it is in operation in the Southern States of Madras, Mysore and Kerala (although here a more complicated pattern has evolved). The 'schedular' agricultural income tax provides three different schedules of rates for individuals, undivided Hindu joint families and joint stock companies and associations. Companies and associations are normally more heavily taxed than individuals. This tax is general in nature and covers the whole of agricultural income (as defined above). These taxes were originally designed mainly to tax rental incomes from Zamindari estates, but now also cover the returns accruing to larger farming and other units in the agricultural sector.

The 'plantations' type of agricultural income tax is sometimes levied as a direct tax on the agricultural incomes of all plantations as in Kerala and Madras or sometimes as an agricultural income tax on commercial crops as in Mysore (In Kerala and Mysore this tax is levied in combination with a Basic Land Tax). This tax is an excellent arrangement for taxing the profits of plantations, which present very easily locatable sources of agricultural income. Actually the profits from most of the products of plantations, e.g. tea, coffee, rubber and tobacco, have been rising, because of price-rises as a result of rising of home and export demand.





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Existing Taxes

We may now study the actual rate pattern for both these types of agricultural income tax. In the 'schedular' agricultural income tax the first rate schedule is for individuals. There is a minimum exemption limit of Rs 3000 after which a progressive rate schedule is set for successive slabs of agricultural income. No tax is levied for the first slab of Rs 1500 (Rs 3000 in Orissa) and after this the minimum tax is 4 per cent—5 per cent. The number of slabs and the size of each slab varies from State to State. The maximum rate varies from 25 per cent in West Bengal to 78 per cent in Orissa. Related to this schedule is the rate schedule for members of undivided Hindu joint families. Each brother or co-partner of such a family has to pay a tax ranging from 2 per cent to 3 per cent on the first slab which varies from Rs 3000 to Rs 6000. After this slab, members of joint families are also subject to the same rate-schedule as individuals. The third schedule relates to the agricultural income of companies and the rate varies from 30 per cent to 40 per cent. Instead of this schedule, Bihar levies a super tax on agricultural incomes in addition to the agricultural income tax at a progressive rate ranging from 8 per cent to 33 per cent. A super tax is also levied in Kerala on both individuals and companies, the former at a maximum rate of 34 per cent and the latter at 31 per cent.

As regards the 'plantations' agricultural income tax, Kerala and Madras levy it straightaway as a graduated tax on successive slabs of income. In Madras the rate rises from 3 per cent to 35 per cent. In Kerala, for the time being, due to difficulties of estimation of agricultural incomes, particularly of smaller units, this tax can be compounded into a lump sum tax of Rs 75 per year for total agricultural incomes of Rs 5000 or less. After this limit a graduated tax rising to 25 per cent is levied. However as mentioned above, there is also a 'schedular' tax with a super tax. In Mysore the tax pattern is slightly more complicated. The agricultural income tax as we have seen is levied only on lands under commercial crops. This land is divided into seven or eight categories and income estimated either on actual earnings or on

a presumptive basis. The exemption limit is Rs. 3000 as agricultural income or 30 standard acres of land, after which the usual graduated tax is levied on successive slabs of income.

Rising Rates

A comparative study of the rate structure of this tax over the period of the last two decades would show that rates have been rising continuously. Actually one of the criticisms of this tax earlier, was that, a lower rate of agricultural income taxation creates a glaring anomaly especially when compared to the Central income tax on non-agricultural incomes. Rates of agricultural income taxation have however, been rising, particularly, during the last two decades.

A few points may be noted here, before we try to arrive at any conclusion. To begin with there are considerable differences in the rate structure of various States, e.g. the maximum rate varies from 25 per cent in West Bengal to 78 per cent in Orissa. Then a super tax is levied in Bihar and Kerala, although in Orissa it can be said that the rate of income tax is by itself sufficiently high to fill in this gap. Again in the States where the agricultural income tax is provided only for the taxation of the agricultural income of plantations, the rate is definitely below the rate for the taxation of agricultural income of companies. This is a discrimination which is very difficult to justify, because in Assam, Bihar and West Bengal plantations are subject to agricultural income taxation, at the rate which applies to companies. In these three States, the rate for companies varies from 34 per cent to 40 per cent of total agricultural income, while in Madras and Mysore the rate varies from 5 per cent to 35 per cent of

agricultural incomes. Thus, in these States, plantations are at a considerable advantage, especially for the lower slabs of income, where the rate rises from 5 per cent. This anomaly should, therefore, be definitely removed, and there seems to be little justification for the lower taxation of plantations in States which have provided special income taxes to tax their agricultural income. In general, there seems to be scope for an upward revision of rates in some States, to bring the direct taxation of agricultural income in line with that in States like Orissa and also in line with the direct taxation of non-agricultural incomes.

Yield Not Stagnant

We find, however, that inspite of a very low tax structure in some States, the yields from the agricultural income tax have been rising fairly substantially as shown by the fiscal experience of the States, during the last decade. The Table shows that total receipts of all the States on account of the agricultural income tax have increased from Rs 433 lakhs in 1951-52 to Rs 892 lakhs in 1959-60 and are budgeted at Rs 867 lakhs for 1961-62. (Past experience shows that the budgeted estimates for this tax are usually on the conservative side.) A comparative analysis of the rise in actual yields from the agricultural income tax and total State revenue from taxation, leads us to the conclusion, that the relative increase of both was the same until 1959-60. The Table shows clearly that from 1951-52 to 1959-60, the extent of the rise in the two indices was the same viz, from 100 to 206. The index of yield from agricultural income taxation actually rose more from 1955-56 to 1958-59 than the index of total tax yields.

Table : Yield from Agricultural Income Tax

Year	Yield from agricultural income tax (Rs lakhs)	Index of yield from agricultural income tax (Base : 1951-52 = 100)	Index of yield from all State taxes (Base : 1951-52 = 100)
1951-52	433	100	100
1952-53	406	94	109
1953-54	377	87	118
1954-55	477	110	120
1955-56	574	133	123
1956-57	573	133	131
1957-58	780	181	171
1958-59	842	195	192
1959-60	892	206	206
1960-61 (R E)	848	196	216
1961-62 (B E)	867	201	219

Source : Reserve Bank of India Bulletin.

The above analysis, therefore, confirms that both from the point of view of the coverage of the tax as well as the yield from it agricultural income-tax is still a taxation measure of some importance in the fiscal machinery of the States. And yet at present the general opinion on the subject is sceptical of the usefulness of this tax on the grounds that it has lost its justification because of the application of ceilings on land holdings. It is also argued that from the administrative viewpoint, it is a difficult tax to levy and the returns from it have stagnated. Discussing rural taxation I S Gulati insists "The need for another measure has arisen partly because of the very ineffectiveness of the present tax based on agricultural incomes." [I S Gulati, 'Resource Prospects of the Third Five Year Plan,' p 72]. He goes on to say that "... judged from the current yield of the tax no substantial improvement has taken place in the application of this tax." Pointing out what in his opinion are the major shortcomings of this tax, he says "It is not sufficiently realised that from the view of effective application of a tax, how important it is to have a tax base which is easy to locate and, identify. Between income and land as two alternative bases for a tax there could have been no question of a choice because the choice is so clearly in favour of land from the above point of view." D T Lakdawala sums up the argument against the agricultural income tax by saying that "In an under-developed country like India with smaller size of holdings, lower average incomes, greater self-sufficiency, and greater illiteracy, agricultural income tax can only be collected with some degree of efficiency from a very small minority of the rural population. [D T Lakdawala, 'Taxation and the Plans,' p 114].

The validity of these arguments will be considered below. For the time being, however, it may be noted that, whatever its theoretical justification, the above viewpoint is fast gaining recognition in official circles; presumably also because a refined measure of taxation, however much it may correspond to equity ideals, is also usually a difficult tax to administer, and hence may be sacrificed for a simpler measure. We find, for example, that the

Government of Rajasthan's Finance Enquiry Committee compares the agricultural income tax with the more inequitable but simpler surcharge on land revenue and recommends the latter because amongst other reasons the "mode of assessment will be simpler and less troublesome."

Far from Redundant

Some of these criticisms of the agricultural income tax have already been discussed while reviewing the working of this tax, e.g. yields, coverage, etc. It has to be seen, however, whether the agricultural income tax has become redundant after the abolition of intermediaries and the application of ceilings on land holdings and also whether the State tax administration can cope with the burden of levying this tax efficiently enough to realise expanding yields. Perhaps the argument that ceilings on land holdings make a progressive agricultural income tax redundant has been overstressed. To begin with, of course, there is the political argument that ceilings on land holdings, have not been applied with as much rigour as was intended. However, leaving aside the political arguments, and judging ceilings on land holdings in the light of the intention of the legislation itself, certain very interesting results emerge. One such point is that the ceiling on land holdings is so flexible that the income from the maximum agricultural holding could be subject to agricultural income tax. This is corroborated by facts. Let us take the case of Rajasthan. The ceiling was fixed at 30 standard acres of land for a family of five persons. Five extra standard acres were allotted up to a maximum limit of 60 acres. A standard acre is ".....likely to yield ten maunds of wheat yearly." [Government of Rajasthan, Rajasthan (Tenancy Amendment Act) 1960, p 3]. The price of wheat in December 1959 (it has risen since then) was Rs 17.37 per maund. At this price, 30 standard acres would yield an income of Rs 5,211 per year and the maximum of 60 standard acres Rs 10,422 per year. Agricultural incomes of this magnitude would definitely be subject to an agricultural income tax, if one existed. Ceilings on land holdings are liberal even as they are, but especially because they are not a ceiling on income but only a ceiling on land. And in

a developing economy where prices are rising and productivity of land is increasing, the 'ceiling' on land, will not always lead to a ceiling on agricultural income. As such, the ceiling on agricultural income from land will, within certain broad limits be a flexible concept.

Thus the base of the agricultural income tax will not be unduly narrowed with the application of the agricultural income tax, because income from agricultural holdings, even after the application of ceilings, may in reality still be above the exemption limit of this tax. However, it may be argued that although the ceiling on agricultural income is flexible, an upper limit will always be there, while the purpose of an agricultural income tax would be largely, only to tax incomes above this limit. But now we must also keep in mind that after the abolition of intermediaries, most of the units in the agricultural sector which yield large incomes (already existing or likely to emerge in the process of economic development) are exempted from the legislation of ceilings on land holdings. This might seem rather surprising, but a close look at the list of exemptions appended to most acts relating to ceilings on land holdings confirms it. The main sources of large incomes from agriculture, like large mechanised and specialised farms, dairies, breeding centres, orchards and groves, plantations (in most cases) and co-operative farms are all exempted from ceilings on land holdings. Actually large rental incomes having been more or less abolished, these remain the major sources of large incomes in the agricultural sector. It would be absolutely anachronistic if such sources of large agricultural incomes—which escape the legislation of ceilings on land holdings are exempted from progressive income taxation. It is strange that this progressive agriculture income taxation should be abolished on the grounds that it has lost its *raison de etre* after the application of ceilings.

Taxation of Larger Units

The taxation of large units in the agricultural sector is further justified by the fact that these large units, are in a more advantageous position to use to their benefit the whole gamut of extension services and credit facilities which are provided through our rural planning

agencies. Considering, that it is a deliberate objective of policy to encourage these large units and to provide conditions which lead to their expansion, there seems to be little justification for not subjecting them to progressive taxation. Actually there is little reason for even exempting co-operative farms from this tax. A sample study of co-operative farms by the Planning Commission pointed out that many co-operative farms are merely a cover for mechanised farms run with hired labour, so that their owners can secure the benefits provided by the Government for genuine co-operative farms. [Programme Evaluation Organisation, Planning Commission 'Studies in Co-operative Farmings'].

The argument that taxation might be a disincentive, may be countered by providing the same tax holiday and other concessions which are given to new concerns in the non-agricultural direct taxation structure. A good tax system should always adjust itself to changes in production-techniques and other economic and social conditions. In this connection the agricultural income tax has another advantage, in the sense that it might orient the rural taxation structure to the needs of a more efficient agricultural economy which is the objective of rural economic planning. Actually to the extent that rural planning is successful in encouraging large-scale farming with modern techniques (in practice, however, it is still not clear whether the real policy basis of our agricultural planning will lead to large-scale farming or a small peasant proprietor economy with adequate servicing facilities) the agricultural income tax will become an ideal fiscal measure for mobilising resources for economic development.

Assessment of Income

There remains the argument that the administration of an agricultural income tax which would involve the estimation of agricultural incomes, maintenance of accounts and other difficulties, would raise so many problems both of a conceptual and practical nature that the working of this tax with even a minimum standard of efficiency, would be beyond the administrative capacity of many State Governments. We will see below that the administration of this tax can be considerably simplified,

but apart from this, it is also possible to underestimate the capacity of State tax administrations. It is obvious that "... success in tax administration goes hand-in-hand with success in other branches of Government administration". [Haskell P Wald, 'Taxation of Agricultural Land in Under-Developed Economies, p 162].

Those who had been studying planning and administration in the States, would have no hesitation in saying that the State administrations have been required to play a far more important and diversified role than before during the last decade of economic planning. The implementation of programmes of Community Development, social services and transport and power development involve a good deal of administrative capacity and co-ordination within the State itself and with the Planning Commission and various Central Ministries. The available statistical indicators all point to a much higher level of performance of the States in the Second Plan period than in the First Plan. This is all the more true in the fiscal field. Of particular interest to us is the fact that the States have been, during the last decade, carrying out extensive revenue settlement and resettlement operations on land. "Many of the basic administrative requirements of land taxation can be satisfied in conjunction with the Government's administration of a land programme." [Ibid, p 165]. This is of particular interest to us, because an adequate and experienced land settlement machinery is a precondition of the operation of an agricultural income tax which also relies on presumptive techniques of assessment, as suggested below.

One of the basic problems that the administration of the agricultural income tax throws up, is that the income of many small peasant proprietors cannot be assessed because they do not maintain any accounts. This is used as a major argument against an agricultural income tax in our country. It would be interesting to note how a few other countries of the world (some with tax administrations probably less experienced than India's) have solved this problem. In many Latin American Countries (Argentina, Brazil, Chile and Mexico), and some West European Countries (particularly Switzerland) a presumptive technique of

assessment is used for assessing agricultural income which is then taxed with an income tax*. The presumptive technique of assessment of farm income is usually based on some simplified procedures involving easily applicable indicators. In this connection Poland has developed "a simplified system of assessment based on external characteristics." [Jerry Lubowicki "System of Taxation", *Polish Perspectives*, May 1961]. Different types of land are assessed according to different "norms of estimated gross income per hectare". Various indicators like capital equipment on a farm, the size of the family, the size of the marketable surplus and of course the fertility and other characteristics of the land itself, may be given weight in the presumptive assessment of income from land.

Presumptive Assessment

The technique of presumptive assessment is of course, already used in the assessment of land revenue in India. It has actually been used in the assessment of the agricultural income tax in Mysore. In a modified form it can help in overcoming the difficulties faced in the levying of an agricultural income tax in India. In the case of the larger farming units, say, with an income above Rs 10,000 per year, maintenance of accounts should be compulsory. The presumptive technique of assessment could be used for the smaller assessee. The principle formulated by the Direct Taxes Administrative Enquiry Committee, that in the case of the smaller assessee for the non-agricultural income tax, the assessment formula should be as simplified as possible should be extended to the field of agricultural income tax also. In case the assessee is not satisfied with the income assessed by the presumptive technique, he must have the right to pay the tax on his "actual" income, but then it would also be fair to throw on him the onus of furnishing proper accounts. Perhaps this provision would lead to better accounting

* See 'Agricultural Taxation and Economic Development' edited by Wald and Fromkin; articles on "The Adaptation of Income Taxation to Agriculture in Underdeveloped Countries" by W W Heller and on "Survey of Principal Methods of Taxing Agriculture in Underdeveloped Countries" by the Fiscal Division, Department of Economic Affairs, United Nations.

procedures being used in the rural sector, which would also be useful in other ways for planning.

Once the principle underlying this scheme is accepted, its actual working out would raise some difficulties, but these would not be of an insur-

mountable nature; and the experience gained in land settlement operations would be an invaluable asset in solving them. An agricultural income tax, modified by the application of presumptive techniques for assessment of smaller in-

comes, is quite practical in our country. It would be an excellent supplement to land revenue. It has the advantage of providing an element of much needed progression in our rural taxation framework and will also yield substantial revenue.

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CS-1A

From the Chair

Mukand Iron & Steel Works Ltd

Speech of the Chairman, Shri Kamalnayan Bajaj

THE following is the Speech delivered by the Chairman, Shri Kamalnayan Bajaj, at the 23rd Annual General Meeting of Mukand Iron & Steel Works Ltd held at Bombay on Friday, September 22, 1961 :-

I have great pleasure in extending you all a cordial welcome.

Industrial expansion is proceeding at an accelerated tempo in the country. New companies are formed, existing companies expanded and foreign technical collaboration agreements concluded almost every day. The Second Plan with its emphasis on heavy industry has provided the mainspring for this phenomenal growth.

The index of industrial production increased by about 39 per cent. during the First Plan and nearly doubled during the Second. The Third Plan target of 329 per cent. will probably be exceeded as a large number of new industries have been excluded from estimates.

Rising Costs

The persistent upward trend in prices and the rising cost of living give cause for anxiety. Over the last five years the index of wholesale prices has gone up by about 30 per cent., industrial raw materials by 45 per cent., manufactures by 25 per cent. and cost of living by 30 per cent. Part of this increase is corrective to the earlier decline towards the end of the First Plan. The successful implementation of the Third and future Plans and an equitable distribution of their benefits will require a close watch on prices and prompt remedial measures to prevent the imbalance likely to result from large fluctuations.

Ultimately we must strive for self-sufficiency. It is necessary to make a realistic appraisal of our needs and plan for their fulfilment. Ours is a mixed economy. The public and the private sectors are complementary and we must, therefore, plan for overall development on a national basis.

The Government seems to have underestimated the importance and

potentialities of the rerolling industry, which looks small and unimposing in comparison with the huge integrated steel plants. That it is a necessary complement to the main iron and steel industry cannot be gainsaid. Over the last thirty years, rising from humble beginnings and despite heavy odds, the industry has achieved a position of national importance. Comparatively low initial investment and higher employment potential, dispersal over widely scattered areas in proximity to consuming centres, adaptability to produce easily and economically a variety of sections even in small quantities to meet regional and local demands, ability to create pools of technicians and skilled labour in many parts of the country—are significant features which cannot be ignored. With an investment of Rs. 25 crores the industry employed about 35000 people and rolled 9 lakhs tons of steel products, which is about one third of the total national production of finished steel in 1960-61.

The rerolling industry has an installed capacity of nearly 2 million tons, which is greater than the projected output of Bhilai or Rourkela at the end of the Third Plan. It is a national waste to allow part of this capacity to remain unutilised, while at the same time planning to increase the rolling capacity of the main producers by installing new machinery at heavy cost.

The allocation of one million tons of billets to rerollers from the main producers at the end of the Third Plan is far from adequate. It needs to be drastically revised. The prosperity of this industry essential to the national economy warrants that this is the least that should be done.

Shortage of Billets and Scrap

The rerolling industry is passing through a crisis of shortage of billets and melting scrap. The Government is appraised of the situation. Steps should be taken to meet the current needs of the industry by larger allocation of billets from the main producers, supplemented by imports. It is also essential that the Government should progressively

ban the export of ferrous scrap which can be used within the country. We should utilise it to the fullest extent and export finished products instead.

The training of personnel at all levels, especially managerial and technological, needs special attention. In the absence of a pool of such trained personnel avoidable wastage will increase and our industrial growth will be hampered. We shall not only have to institute special courses of study for existing personnel but also go down to the roots by orienting our system of education to build up a vast cadre of scientists, technologists, engineers and managers.

The Company is planning to put up a new wire rod mill along with a 20-ton electric furnace at Kalwe. The output this furnace will provide about half of our requirements of billets for rerolling.

The delay in the acquisition of land at Kalwe and the larger requirement of finance have necessitated a fresh application for loan to the Industrial Credit & Investment Corporation of India Ltd. A preliminary project estimate has been submitted to the I.C.I.C.I. The Commonwealth Development Finance Co. Ltd. of the United Kingdom has also evinced interest in our project. We are hopeful of finalising arrangements in due course.

Third Furnace

We have put up a third furnace of 4-1/2 ton capacity at Kurla. This has been largely fabricated by us. Due to shortage of power there has been a slight delay but it is expected to go into production shortly.

The foundry is being expanded along with the increase in melting capacity. We hope to reach an output of 750 tonnes per month by the end of 1962, and 1000 tonnes by 1963.

In order to meet the demand for thinner sections our rolling mills are being fitted with additional equipment, which has also been largely fabricated by us. We expect to commission it shortly.

September 30, 1961

We are thankful to Sardar Swaran Singh, Union Minister for Steel, Mines & Fuel, for visiting our factory in April this year on the occasion of the Annual Sports and Social Club Day. On the same day, we had the honour to receive the Delegates to the Convention of the Institute of Indian Foundrymen who held one of their sessions at our Works.

Five Years' Progress

In the last five years, the Company has been taking vigorous steps to increase production and productivity. The capital was increased and foreign technical collaborations entered into. Steel-making capacity was increased and range of products expanded. Technical personnel were sent for training abroad. The workers were encouraged to attend technical courses and provided with better training facilities within the works. Considerable improvements were made in methods, plant lay-out and facilities. The Company and the workers have been reaping the cumulative benefits of these improvements and developments.

The Company has entered into a five-year agreement with labour relating to wage scales and other benefits. Our Chief Executive, Shri Viren J. Shah, has been mainly responsible for negotiating this settlement. The happy relations which subsist between Management and Employees are in a large measure due to his personality and human approach.

I would like to congratulate the Technical and Administrative Personnel, the Workers and the Management for last year's record annual production.

Note: This does not purport to be a record of the Proceedings of the Annual General Meeting.

Shortage of Ferrous Scrap

SHRI Viren J. Shah of Messrs Mukand Iron & Steel Works Ltd and Shri N. S. Gilani of Messrs Kumardhubi Engineering Works have been elected Chairman and Vice-Chairman respectively of the Steel Furnace Association of India. The first meeting of the Executive Council of the Association was held in Bombay recently. The meeting expressed grave concern at the shortage of scrap prevailing in all parts of the country.

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SISTA'S SBH-8

Around Bombay Markets

Dalal Street Shaping Well

Thursday, Morning

DALAL STREET pushed its way further up last week. Vyapar's equity share index, which had touched a low of 134.29 on 29th August and had been gradually creeping up since then recorded a high of 141.48 on 26th September. Corrective profit-taking and some renewed bear pressure caused a moderate setback near the week-end and the index was down to 139.10 on 27th September. At its Wednesday's closing of 139.32 the index showed a net gain of only 0.58 over the week. Turnover was moderate and activity continued to be predominantly professional. Outside public seems reluctant to take a lively interest in the market because of the uncertain political situation, though the feeling is gradually gaining ground that the market is unlikely to break through its August low unless something very untoward happens.

Carry forward charges at the end of the last settlement on Friday, 22nd September, clearly indicated that the market was carrying a very heavy short interest. That a few prominent bears have been dominating the scene for quite a long while is no secret. The market's overall trading pattern over the past few weeks suggests that the bears are beginning to feel rather uneasy, though bulls have not yet completely seized the initiative from them. Last week's recovery was in no small measure helped by the low carry-forward charges. The rise had been sizable enough to induce corrective profit-taking and renewed bear selling, but trading sentiment near the week-end was affected by New Delhi reports suggesting that the Government might not accept in full the Tariff Commission's recommendations on the rise in cement prices. The Government was reported to be of the view that an upward revision of cement prices on the lines recommended by the Tariff Commission would push up enormously the cost of various projects in the third Plan and also building costs at a time when there is a serious shortage of accommodation. Cement shares which had been showing marked strength for some time came under heavy selling, which, however, was

fairly well absorbed. Steel shares also turned hesitant with the setback in Cement shares. Electric shares, however, continued to display marked strength on steady investment support and scarcity of offerings.

Khatau Makes News

On Tuesday evening, the stock market received a shocking news from the Khatau Makanji Spinning and Weaving Company. The dividend for the year upto June 1961 has been reduced by 50 per cent from Rs 32 to Rs 16 per share, both taxable, and the preliminary figures about the company's working show that the gross profit has declined from Rs 100.20 lakhs to Rs 49.05 lakhs. The shares of Khatau Mills which had declined from Rs 505 to Rs 475 in the preceding two sessions dropped further to Rs 405 on Wednesday. This reflects only partly the market's utter disappointment over the dividend cut. The market is very critical of the company's dividend policy. Only in the preceding year-1959-60 had the dividend been stepped up from Rs 16 to 32 and the dividend was much lower at Rs 10 for 1957-58. Neither the directors' report for 1959-60, nor the chairman's annual speech contained any hint that the year 1960-61 was likely to prove difficult for the company. The sharp decline in the company's profit is really intriguing and it cannot be explained away in terms of higher prices of Egyptian cotton used by the company. For nearly all the companies

manufacturing like varieties of cloth have reported higher profits for 1960-61. Why should Khatau fare so badly when its products enjoy great reputation for their quality? The directors' report for 1960-61 will be awaited with interest to find out an explanation for the company's disgusting performance when the industry as a whole has done reasonably well.

Last week's rise in Vyapar's equity share index to 141.48 takes it very close to its August high of 142.93 which lies half way between the year's high and the August low. The market might pause here to digest the recent gains before making further headway. It is possible to argue that the current recovery is nothing more than a correction of the preceding steep fall. But the rally might as well mark the resumption of the major bull phase. Odds are very much in favour of the latter view point.

Cotton

Export Uncertainty Ends

NEW DELHI'S decision to release 1.50 lakh bales of Bengal Deshi cotton for export on a first-come-first-served basis subject to a maximum of 5 per cent per shipper of the quantity available for export will be widely welcomed. It is not merely that the announcement sets at rest uncertainty about the export policy. The size of the quota is large and the shipment period

Important Price Movements in Shares

	1961 High	Subsequent Lows	Recent Highs	Closing on 27-9-61
Bombay Dyeing	71.90	64.60	68.90	68.30
Century	740.00 c r.	643.00 c r.	564.50 x r	554.50
Kohinoor	327.00	274.00	294.00	287.50
Svadeshi	287.50	243.50	267.00	264.25
Standard	1630.00	1100.00	1259.00	1118.00
Indian Iron	28.70	24.52 c d	24.60 x d.	24.28
Tata Steel	167.00	147.00 c d	144.75 x d	142.00
A. C. C	168.50	156.25	167.00	164.00
Hindustan Motors	23.68	17.68	19.64	19.20
Bombay Burmah	666.50	571.00	614.00	600.00
National Rayon	591.00	507.00	554.50	541.50
Tata Engineering	390.00	325.50 c d	345.50	337.00
Voltas	319.00	271.50	296.50	290.50
Scindia	16.16	12.00	13.32	12.68

Century High = Rs 125
Indian Iron dividend = Rs 1.12
Tata Steel dividend = Rs 7.25
Telco dividend = Rs 11.32

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lengthy—shipments are valid up to the end of March. And what is more, the licensing procedure has been further simplified to incorporate practically all the suggestions made by the trade from time to time. The export quota provides an opportunity for a greater number of shippers to participate in the trade as the clause relating to the eligibility for export on the basis of past performance has been extended to cover a period up to 31st August 1961 as against August 1958. Besides, allotment letters are now to be issued on registration of sales and not on presentation of shipping bills as was the case hitherto. There is no restriction on the quality of Deshi cotton to be exported. Overseas buyers are assured of adequate supplies and they can spread their purchases over a longer period to suit their requirements. That the trade notice refers to a quota of 1.25 lakh bales against the official release of 1.50 lakh bales has evoked some comment in trade circles. It appears that the balance of 25,000 bales has been set apart to overcome the difficulty arising from the partial allotment of quotas on the last day. But official clarification on this point will be desirable to end uncertainty in this regard.

The announcement of the export quota has not had any noticeable effect on the market. Bengal Deshi prices have continued to hold steady around their previous levels. With the quota pretty large and the shipment period quite lengthy overseas buyers are inclined to wait and watch, the more so because the Deshi crop this season is known to be considerably better than in 1960-61. Inquiries in the trade indicate that Japan has offered 20d a lb f o b Bombay for Deshi choice quality, 16.75d for fine and 16d for below fine. Business for nearly 20,000 bales is reported to have been put through around these prices. Exporters think that the entire quota will be utilised before the end of the year.

Futures at New High

Cotton prices last week recorded a further rise under the impact of continued unsatisfactory weather reports. Crops in Madhya Bharat and Madhya Pradesh are reported to have been damaged quite substantially and few observers now expect the 1961-62 crop to exceed

48 lakhs bales. The estimates will need to be revised downward should the weather conditions deteriorate further in the next few weeks. Spot houses reported a marked improvement in spinner inquiry in new crop cottons, especially L 147 and 197/3. Quite a few varieties are quoted very near the ceiling rates. Cotton futures were bid up to a new high of 625 on 26th September. Corrective profit-taking caused a small setback the next day and the March contract which had eased from Rs 625 to Rs 619 closed at Rs 621 against 613.25 a week ago. Since the price pattern continues to be moulded by the weather, it is difficult to say how the market might behave in coming weeks. But it is quite possible that the market might like to pause for a while to digest the recent gains before pushing its way further up.

Mill consumption of Indian cotton in July is placed at 3.95 lakh bales against 3.78 lakh bales in June and 3.51 lakh bales in July 1960. The July figure brings the total for the first 11 months of 1960-61 season to 38.52 lakh bales as against 40.85 lakh bales in the corresponding period of 1959-60. The consumption of foreign cotton in July was 0.87 lakh bales against 0.85 lakh bales in June and 0.94 lakh bales in July 1960. Consumption of foreign cotton during September to July totalled 10.38 lakh bales against 5.85 lakh bales in the corresponding period of the preceding season. Stocks of cotton held by mills at the end of July totalled 14.89 lakh bales of indigenous cotton and 3.79 lakh bales of foreign cotton. This compares with 11.54 lakh bales of Indian cotton and 3.64 lakh bales of foreign cotton carried by mills at the end of July 1960.

Oilseeds

Prices Drift Lower

OILSEEDS prices suffered all-round losses over the week. The weakness was pronounced in castor which fell to a new low on persistent bear pressure and nervous liquidation. Groundnut and linseed moved irregularly lower to around their lowest levels recorded earlier in the month but rallied near the week-end on short covering and renewed bull support induced partly by technical considerations and partly by reports of early announcement of substantial export quotas for groundnut oil, groundnut H P S

and expellers. Castor March which had been marked down from Rs 163.25 to Rs 161.37 in the preceding week touched a new low of Rs 156.50 on 27th September and closed a little better at Rs 157.75 the same day. Groundnut January eased from Rs 209.87 to Rs 203.25 but rallied to close at Rs 206.25. Groundnut oil January was down by 35 nP per 10 kg at Rs 16.80. Linseed March eased from Rs 36.81 to Rs 36.06 but recovered to wind up the week at Rs 36.34 per 50 kgs.

The continued weakness in castor is attributable essentially to the lack of any important fresh export business in castor oil. The recent steep fall in prices, however, seems to have improved prospects of business with the U K which was reported to have purchased about 200 to 300 tons of castor oil Commercial around £114/115 per ton. B S S was mentioned around £121. While chances of business with the U K seem to have improved with the decline in Indian prices, there is little hope of selling castor oil to the U S because of cheaper offerings from Brazil. Apart from the sale of a few hundred tons of castor oil to the U K, export houses reported moderate business in groundnut extractions during the week. Linseed cake continued to be neglected and foreign interest in cotton seed cake was also poor.

Awaiting Export Policy

The trade's attention is now focused mainly on New Delhi's policy for the export of groundnut oil, HPS and groundnut expellers. Informed sources think that the export of groundnut oil is likely to be channelised through the State Trading Corporation. While the Government has not yet taken a final decision in regard to export quotas, reliable reports indicate that the Government has directed the State Trading Corporation to explore export possibilities of groundnut oil and enter into negotiations with a view to selling on its own behalf. The STC has already made working arrangements with the cooperative societies in Saurashtra which are engaged in crushing of groundnut. The STC will supply groundnut in shells and buy from the cooperative societies groundnut oil and expellers and pay them a reasonable cost and service charges which are said to have been already fixed.

It is difficult to assess the implications of Government's export policy until all the details are made known. The trade's reaction to exports being handled by the State Corporation cannot be expected to be favourable. But in view of the continued wide disparity between Indian and world prices of groundnut oil despite a bumper crop here this season, it is necessary that exports are handled by some centralised agency in order to keep the cost of the incentive scheme at the lowest. Reports suggesting the possibility of allowing exports of groundnut oil under an incentive scheme have caused a substantial decline in U K's quotations from £115 to £100 per ton over the past fortnight. On the basis of current prices, the loss on the export of groundnut oil works out to around £27 per ton. The trade is eagerly

Company Notes

STATE-OWNED SHIPPING CORPORATIONS

IT is a happy augury for the Shipping Corporation of India Ltd, which is to be inaugurated on October 2, 1961 by the amalgamation of the two State-owned shipping corporations, that the overall earnings and combined profits of the two for the last full year of working (ended March 1961) as separate entities should have constituted a record. The results are particularly gratifying, in view of the fact that the year has been one of difficulties for shipowners and freight rates recorded a fall.

Under the scheme of amalgamation, the undertaking of the Western Shipping Corporation Ltd will stand transferred to the Eastern Shipping Corporation Ltd and the latter will be renamed as Shipping Corporation of India Ltd. The idea of amalgamation owes its origin to the suggestion made by the Estimates Committee of Parliament in 1959 and the directors of the two corporations decided to accept it in February last, with a view to bringing better co-ordination in the working of the two and economy in the long run.

The salient features of the working of the two corporations in 1960-61 are:

(1) the overall earnings have increased by about 50 per cent from Rs 4.08 crores in 1959-60 to Rs 6.07 crores;

awaiting the release of an export quota for groundnut HPS for which there is reported to be a satisfactory overseas demand. The U K, Holland, Germany and the Communist bloc—all these countries are interested in Indian groundnut HPS and the latest U K quotations are mentioned around £82 per ton for Bold and £83 for Java variety. Exporters say that it should be possible to sell linseed cake in fair quantity provided the Government sets up an agency to inspect the goods before shipment and guarantees the quality which alone can restore the confidence of overseas buyers in Indian linseed cake. The trade's suggestion deserves serious consideration.

Bullion

Prices Rise Further

BULLION prices recorded impressive gains last week with gold

rising from Rs 125.35 to Rs 126.35 per 10 grams and silver up from Rs 204.70 to Rs 207.55 per 1 kg. Gold has been scaling a new peak almost every week for quite some time. Last week's smart rise took silver also to around its previous all-time high of Rs 209.30 recorded early in the year on 30th January. The rising trend in bullion prices hardly needs any explanation. Demand is almost unsatiable while supplies are limited. That smuggled gold worth Rs 40 crores to Rs 55 crores a year should be absorbed at steadily rising prices is an indication of the Indian market's unlimited absorptive capacity. Recent sales of gold and silver by the Reserve Bank and the State Bank which attracted considerable attention in market circles have hardly had any effect on the market. Prices have continued to edge their way up.

(2) India-Pakistan/UK — Continent service. The entry of the corporations into these two trade services is a significant step forward for shipping in the public sector. It has been decided to enter the Tuticorin/Colombo service with one ship and the possibility of entry into tramp trade is also being considered.

Addressing the annual general meetings of the two corporations, Dr Nagendra Singh, the Chairman, said that five cargo vessels of 9,200 grt each ordered by the corporations are under construction and will be delivered during 1962-63. Six more fast cargo liners of about 9,200 grt each are expected to be delivered within the Third Plan period. With the addition of these eleven vessels, the Corporation's fleet at the end of the Third Plan will have a strength of 30 vessels with a gross tonnage of 240,000.

Dr Singh indicated that, as and when these vessels are delivered, the Corporation proposed to divert some of the existing slower units to tramping. It was his considered view that apart from the liner services in which the corporations and other shipping companies had done reasonably well, there was a good field for the expansion of tonnage in tramping. He added that the Corporation intended to purchase at least one ocean-going super tanker for the transportation of crude oil reasonably soon.

JAY ENGINEERING'S IMPRESSIVE RESULTS

THE performance of the Jay Engineering Works Ltd during the year ended March 31, 1961 has been very impressive, in that the turnover (net) has recorded an improvement of Rs 1.68 crores to a peak of Rs 8.89 crores and the gross profit has gone up by Rs 9.72 lakhs to Rs 91.85 lakhs, also a new high. With this rise, the turnover of the company has doubled itself in the course of four years.

It must, however, be noted that the rise in profit during 1960-61 is not commensurate with the expansion in turnover, with the result that the ratio of profit to sales has dwindled from 11.4 per cent to 10.3 per cent, on account of the steep rise in costs all-round.

The increase in net profit (after providing of managing agents' remuneration, depreciation and taxation) from Rs 32.44 lakhs to Rs 34.70 lakhs is only nominal, due to a larger provision for depreciation at Rs 29.36 lakhs, against Rs 23.55 lakhs in the previous year, and for taxation at Rs 22.85 lakhs, against Rs 19.50 lakhs. The managing agency remuneration is, however, less at Rs 4.94 lakhs against Rs 6.64 lakhs. The dividend on the ordinary shares has been maintained at 17.15 per cent on an increased capital, after raising the allocation to the development rebate reserve from Rs 7 lakhs to Rs 8.56 lakhs and reducing the transfer to the general reserve from Rs 4.80 lakhs to Rs 2.70 lakhs. The dividend on the ordinary shares absorbs Rs 18.43 lakhs (Rs 15.63 lakhs) and on the preference shares Rs 5 lakhs (Rs 5 lakhs). Thus, in all, the company has retained in business Rs 40.63 lakhs (including depreciation) or 44.2 per cent of the gross profit and has distributed 25.5 per cent to the shareholders.

The company's production, particularly of fans, has been encouraging, the number of sewing machines produced having gone up from 242,000 to 256,000 and that of fans from 346,000 to 514,000. As a result of the intensive efforts, the exports have gone up by 50 per cent over the previous year, the number of sewing machines sold abroad having risen from 42,000 to 65,000 and fans from 44,000 to 65,000. In terms of value, exports have risen from Rs 82.5 lakhs to Rs 113 lakhs.

Exports of sewing machines constitute over 25 per cent of the production and those of fans over 12.5 per cent.

The company has plans for further expansion. It has received the Government's approval for putting up a factory at Hyderabad with a capacity of 100,000 sewing machines per annum on a single shift basis. Since the close of the year under review, the company has placed orders for capital goods worth

MATERIAL SHORTAGE HITS ALIND

THE shortage of raw materials and competition from other units were the main factors which adversely affected the Aluminium Industries Ltd (ALIND) in the year ended March 31, 1961. It was only through increased production and sales that the company was able to maintain its profit-earning capacity. The company stepped up its production of bare aluminium conductors from about 56,000 kilometres to 66,300 kilometres and of covered aluminium conductors from 7 million core-metres to 9 million core-metres. The output of aluminium rod, accessories and tools was also maintained at a high level.

Thanks to the brisk demand for aluminium conductors and accessories, sales increased from Rs 3.41 crores to Rs 4.36 crores. Gross profit, however, dropped from Rs 51.68 lakhs to Rs 48.64 lakhs as a result of the sharp rise in costs all-round reducing the ratio of profit to sales from 15.2 per cent to 11.1 per cent. The cost of raw materials rose by Rs 114 lakhs, the wage bill by about Rs 5 lakhs, freight and handling charges by over Rs 7 lakhs and interest charges by Rs 6.6 lakhs. Had it not been for the increased turnover, the profit would have been far lower.

In view of the drop in profit, the managing agents' commission is lower at Rs 2.96 lakhs, against Rs 3.98 lakhs. The provision for depreciation has been reduced from Rs 11.89 lakhs to Rs 10.98 lakhs, while the tax liability is slightly higher at Rs 16.41 lakhs, against Rs 16 lakhs. The net profit, after these essential allocations, amounts to Rs 18.29 lakhs, representing a fall of Rs 1.52 lakhs compared to 1959-60. The earning per ordinary

Rs 10.19 lakhs, but the Hyderabad factory will call for further huge capital expenditure. In 1960-61, the company spent Rs 64.15 lakhs on additions to its fixed assets, on top of Rs 48.19 lakhs expended in the previous year. During the year under review, the company issued 607,500 ordinary shares of Rs 10 each at a premium of Rs 7.50 per share. A sum of Rs 13.25 per share, including Rs 5.75 per share as premium, has been called to date. It has also been sanctioned a loan of Rs 40 lakhs by the I F C I.

share works out at 18.3 per cent and provides just adequate cover to the proposed dividend of 18 per cent.

No provision for development rebate reserve has been made out of the profit for the year under review, since no new machinery was commissioned during the year and so the company did not avail itself of any development rebate. Last year a sum of Rs 4.37 lakhs was set aside for the purpose. The absence of allocation to this reserve or any other reserves has enabled the directors to maintain the dividend at 18 per cent on a higher capital without any difficulty.

At the current market value of Rs 23.30, the Rs 10 fully paid-up shares of the company yield 5.71 per cent per annum, free of tax.

The company has been granted licences for increasing the manufacturing capacity of covered conductors at Kundra and for establishing a new covered conductor factory near Hyderabad. The foreign exchange required for the import of machinery and equipment has been sanctioned and import licences have been secured. In addition, the company has secured a licence for the manufacture at Kundra of a special type of low-voltage aluminium cable for under-ground applications. While the details of the project are being worked out the construction of the factory for the manufacture of high-tensile galvanised steel wire at Kundra has made satisfactory progress. Subject to availability of adequate raw materials, the directors expect the new factory to be in regular operation by the end of 1961.

CURRENT STATISTICS

BANKING RETURNS

(Rs crores)				
Reserve Bank	Sept 22	Sept 15	Aug 25	Sept 23 '60
1 Note circulation	1868.70	1889.46	1877.39	1783.97
2 Rupee coin	127.28	125.48	125.79	132.76
3 Deposits	333.38	348.38	345.67	302.49
(a) Central Govt	55.05	73.53	64.60	78.63
(b) Other Govts	21.36	38.16	19.93	23.43
(c) Banks	84.31	78.66	102.96	110.72
(d) Others	172.66	158.03	158.19	91.72
4 Foreign securities	118.86	116.86	116.86	123.01
5 Balance abroad	18.42	17.76	26.61	20.93
6 Rupee securities	1528.78	1548.65	1533.55	1431.72
7 Investments	260.61	261.16	284.51	215.15
8 Loans and advances to Govts	45.53	49.45	48.75	30.58
9 Other loans and advances	135.89	136.96	115.71	143.14
Scheduled Banks	Sept 15	Sept 8	Aug 18	Sept 16 '60
1 Aggregate liabilities	1869.85	1868.30	1869.12	1923.40
2 Aggregate deposits (net)	1791.80	1792.00	1794.50	—
(a) Demand (net)	719.05	716.61	713.68	758.85*
(b) Time (net)	1072.75	1075.39	1080.82	1164.55†
3 Cash in hand	46.15	44.60	46.77	45.92
4 Balance with Reserve Bank	77.09	73.87	80.53	94.72
5 (3) + (4) as % of (1)	6.59	6.34	6.81	7.31
6 Borrowings from Reserve Bank	17.25	14.98	1.54	40.41
(a) Against usance bills and/or promissory notes	6.59	5.49	0.51	10.96
(b) Others	10.66	9.49	1.03	29.45
7 Advances	1076.33	1076.64	1081.58	981.33
(a) State Bank	235.09	232.18	231.71	204.49
(b) Others	841.24	844.46	849.87	776.84
8 Bills discounted	113.65	110.40	106.51	97.01
(a) Inland	43.60	44.37	43.40	48.74
(b) Foreign	157.25	154.77	149.91	145.75
(c) Total	12.75	13.11	13.28	9.86
(i) State Bank	144.50	141.66	136.63	135.89
(ii) Others	—	—	—	—
9 (7) + (8c) as % of (1)	65.97	65.91	65.89	58.60
10 Investment in Govt securities	605.61	610.67	585.85	729.70
(a) State Bank	251.19	259.30	241.28	362.01
(b) Others	334.42	351.37	344.57	367.69
11 (10) as % of (1)	32.39	32.69	31.34	37.94
Cheque clearance	202.44	230.22	176.84	213.93

* 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 cent per annum)				
(Selected Scheduled Banks other than the State Bank)	Sept 15	Sept 8	Aug 18	Sept 16 '60
Call Money from banks	4.42	3.79	2.13	3.50
Deposits:				
Seven days	—	3.00	3.00	2.64
Three months	—	—	—	3.50
Six months	3.75	3.75	3.75	3.49

Bombay Bullion

(Rs and nP)				
	Sept 28	Sept 21	Aug 31	Sept 29 '60
Gold (per 10 grms)				
Spot	125.55	125.65	124.55	115.02
Forward	126.10	125.50	124.40	116.20
Silver (per kilogram)				
Spot	205.80	204.30	204.10	193.07
Forward	207.00	205.55	204.80	194.10

INDEX NUMBER OF WHOLESALE PRICES

	(Base : 1952-53 = 100)			
	July 1961	June 1961	May 1961	July 1960
Food Articles	124.2	120.6	117.2	124.0
Cereals	104.1	101.9	99.5	100.5
Pulses	91.3	90.6	87.3	94.9
Fruits & Vegetables	147.5	126.1	122.0	126.8
Milk & Ghee	119.1	118.6	113.9	121.5
Edible oils	165.5	163.3	159.6	147.3
Fish, Eggs & Meat	139.0	128.2	127.3	127.4
Sugar & Gur	123.2	123.7	120.1	140.0
Others	184.2	181.1	167.4	168.3
Liquor and Tobacco	98.6	100.1	104.1	109.6
Tobacco	95.0	96.6	100.9	108.1
Fuel, Power, Light & Lubricants	121.6	121.7	121.4	119.8
Industrial Raw Materials	151.4	148.8	152.9	137.2
Fibres	152.5	150.6	165.1	130.4
Oilseeds	165.4	160.5	156.6	150.9
Minerals	95.2	95.2	95.4	98.2
Others	126.7	126.9	126.5	126.6
Manufactures	127.1	125.6	126.4	121.1
Intermediate Products	141.9	139.7	136.9	130.8
Finished Products	124.7	123.3	124.7	119.5
Textiles	126.6	124.8	127.8	120.8
Cotton	126.4	126.2	126.6	130.0
Jute	130.5	125.1	137.1	106.8
Woollen	123.3	123.7	119.1	110.1
Silk & Rayon	119.1	116.5	115.3	102.7
Metal Products	147.1	147.1	146.9	146.8
Chemicals	110.8	109.4	107.5	102.9
Oil cakes	146.8	143.4	142.3	130.1
Machinery & Transport Equipment	112.8	112.8	112.8	111.5
Others	120.8	120.3	118.7	115.8
All Commodities	128.6	126.0	125.3	124.8

WORLD WHEAT PRODUCTION AND TRADE

	(Million metric tons)				
	1952-53	1957-58	1958-59	1959-60	1960-61 (forecast)
(Average)					
Production					
World Total	207	221	256	250	—
World (excluding Sino-Soviet Bloc)	126	126	139	135	141
of which					
United States	29.4	25.9	39.8	30.7	37.1
Western Europe	34.8	40.5	39.1	42.8	39.5
Asia	26.0	31.0	28.0	30.0	30.0
Others	35.8	28.6	32.1	31.5	34.4
Eastern Europe	12	13	12	14	14
USSR and China	70	82	105	100	—
Exports (July-June)					
World Total	29	32	35	36	41
of which					
United States (Total)	9.3	10.9	12.0	13.8	17.5
(Under special programme)	(4.9)	(6.9)	(7.7)	(9.8)	(12.3)
Argentina, Australia, Canada, France	15.0	14.6	13.9	14.7	17.3
Eastern Europe*	0.3	0.2	0.3	0.3	—
USSR*	3	4	6	5	—
Others	1.4	2.3	2.8	2.2	—
Imports (July-June)					
Western Europe	13.8	12.5	13.4	11.0	—
Asia	6.1	9.5	9.4	11.5	—
Eastern Europe*	2	5	3	4	—

* Calendar year of the second year shown.

† Average 1955-57

Source: Food and Agriculture Organisation of the United Nations, Rome

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The Economic Weekly

A Journal of Current Economic and Political Affairs

October 14, 1961

THIRTEENTH YEAR OF PUBLICATION

Volume XIII No 41

Price 50 Naye Paise

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Setback in Kenya

THE prospect of early independence in Kenya has received a definite setback as a result of the serious division which has appeared in the ranks of the Africans. The preliminary constitutional talks being held in Nairobi under the chairmanship of Sir Patrick Renison, the Governor, have broken down; and the Governor has reported his failure to the Colonial Office. More serious, the tribalist Kenya African Democratic Union has repudiated the leadership of Mr Jomo Kenyatta and is now openly pressing for a type of regional federalism which is understandably anathema to the nationalist Kenya African National Union. The hopes that Mr Kenyatta's leadership would provide an umbrella under which all shades of African opinion could unite — at least for the duration of the freedom struggle — have thus been shattered. Independence will now be neither quick to arrive nor, perhaps, as smooth as had seemed possible a couple of months ago.

Mr Kenyatta himself is now faced with a difficult choice. Since the KADU has publicly disowned him, he must of necessity abandon all hopes of leading a united African team to freedom; but to accept the leadership of the KANU — which is being offered to him — would be to abandon the national status which he has so far enjoyed. At the same time, there are pressing reasons for quickly accepting the leadership of the nationalist party, for it is daily becoming apparent that a serious internal rift has started among its own leaders, and only Mr Kenyatta's entry can preserve party unity.

A third alternative open to Mr Kenyatta is to start a new party altogether, inviting the KANU to merge in it and hoping that some at least of the KADU leaders would defect to it. But whatever course he decides to adopt, inter-African bickering on constitutional issues is now unavoidable.

The attitude of the tribalist party in all this is a little astonishing. It has, of course, been clear all along that the KADU did not have the same ideals as the KANU, and was strongly sectional in its policies. But until now it did acknowledge the personal leadership of Mr Kenyatta; and it was, indeed, under his instructions that it agreed to try and form a national coalition with the Nationalist Union. The famous Maralal Agreement was being seriously implemented until recently as a result of this attitude. KADU's avowed allegiance to Mr Kenyatta was probably not born of any faith in the ideals for which the nationalists stood, but of the fear that any clash with Mr Kenyatta would earn the party widespread unpopularity all over the Colony. Why, then, did the KADU leaders suddenly decide that they could afford the displeasure of Mr Kenyatta?

It is seriously to be suspected that the hand of white settler intrigue lies behind this. While a large number of Kenya settlers have reconciled themselves to the inevitable, there is still a small but hardy band of settler die-hards who are pledged to do all in their power to wreck the boat of African nationalism. There is no doubt that these settlers have incited the Masai community to demand secession from Kenya — and, what is specially significant, repudiate Mr Kenyatta's personal leadership.

THE ECONOMIC WEEKLY
65, Apollo Street, Fort,
Bombay.

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KADU appears to have been emboldened by the defiance of the Masais.

The immediate picture is bleak. The parliamentarians belonging to the majority KANU party have threatened to withdraw from the Legislative Council if any regionalism is entertained as a basis for the constitution. If the threat is carried out, there will be a first-class constitutional crisis; and yet, the nationalists are bound to resist by every means at their command any effort to break up the country into small loyalties. In the tussle, the white

settlers are bound to swing to the right, as represented by the tribalist KADU; and the pressure on the Colonial Office will increase in favour of delaying the transition to independence.

It is upto Britain to arbitrate in the interests of Kenya's future. This it can do by refusing to give any encouragement to the tribalists and by strengthening Mr Kenyatta's hands. Today, he is the most moderate of all the African nationalists in Kenya. Others even in KANU have expressed themselves in extreme terms on such burning issues

as the future status of the lands belonging at present to the immigrants. In the case of Uganda, Britain has demonstrated how it can on occasion discourage anti-national tendencies among the Africans: but Uganda does not have the complicating problem of the white settlers, in whom Kenya abounds. This is in that sense a test of British sincerity. Will Britain adhere to the principles it has upheld in Uganda, or will it give in to the white pressure and help thereby to build a permanent tension in Kenya? The choice is in its own hands.

What Happened to the Calcutta Plan?

STAGGERING disclosures made by the W H O report on Calcutta's water supply and sewage and the powerful advocacy of a Calcutta City Plan by the World Bank Mission who were forthright in their remark that the neglect of Calcutta was the Achilles' heel of the Third Plan, aroused for the time some interest in Calcutta's myriad problems. The W H O experts were convinced that no palliatives were possible, that the City's water supply and sewage had to be rebuilt and on a scale large enough to cover the City and its environs. They suggested that an area 30 miles long on both sides of Hooghly and 10 to 12 miles wide, which now contains the Corporation and some 30-odd municipalities, be brought together under a single Authority, that an adequate plan be drawn up and that it be implemented by this Authority. The World Bank Mission pointed out that though water supply and sewage were vital, a limited plan would not be enough. Adequate living space had to be found for Calcutta's teeming population which was swelling rapidly day by day. Space had also to be found for the development of industries, the slums had to be cleared and the worst congested areas had to be decongested.

The West Bengal Government was somewhat slow to respond and take the hint. The suburban municipalities are moribund — they have neither the resources nor the desire to do anything; so is the Calcutta Corporation — politics-ridden, torn with internal dissensions, and heavily covered, layer

upon layer, by graft. While the people are sunken in apathy and frustration, the Congress loses votes and seats in the City constituencies, but it still retains its hold on the Corporation and, as a party, its attitude to programmes of City development remains ambivalent. It wants all the money it can grab, it is suspicious of any sort of control and resistant to any kind of change, and fights tooth and nail to preserve, safeguard and perpetuate the infamous structure that it has built up. It is not only the Calcutta streets and bustees which stink; the Corporation stinks to the high heavens, and its infamy is a household word the world over.

But before things can get going, however, a workable plan for the development of the City will have to be prepared which can stand the scrutiny of the World Bank and other international agencies, and also compete successfully with similar other projects put up by other countries. It would be no use drawing up a plan, unless at the same time a suitable authority is set up for its implementation. The United Nations agency, which had been approached, had made it a prior condition for giving assistance that the West Bengal Government should take necessary action to establish a Calcutta Metropolitan Authority with full powers to implement the development plan expeditiously and properly. There was the rub. To set up such an Authority would mean empowering it to supersede the politics-ridden Corporation and the 30-odd moribund municipalities which are presently running the civic affairs of the

Greater Calcutta area. There was naturally political opposition to taking such a step, and Dr Roy, understandably, hesitated.

The strategy he adopted, however, was bold and striking. A non-official resolution was passed in the West Bengal Legislative Assembly last November calling upon the Government to take early steps to create a Statutory Calcutta Metropolitan Board covering an area of about 270 square miles in and around Calcutta on either side of the river Hooghly to carry out the composite scheme of water supply, drainage and provision of sewerage for this area as recommended by the W H O Team. This resolution was passed unanimously. Others were taken in by it, but not the Congress politicians. No such Authority has been set up and, in spite of a promise that legislation would be introduced for the purpose at the last budget session, nothing has been heard about it yet.

Whatever may be the Authority which will eventually implement the Calcutta Plan, Dr Roy did move in the matter of producing a proper plan. He got a select team of city planning experts from the Ford Foundation to do this job. Unlike the international agencies, the Ford Foundation's assistance in this matter was not conditional upon prior legislation for setting up an Authority. It could not very well be, for one of the most difficult jobs for the Team is to recommend what should be the proper Authority for this purpose. But though the Ford Team had been called in, no further progress has been made in

drawing up the plan. The Team came out in June and faced cheerfully the rigours of Calcutta summer. They were given a fine office but not the Indian staff without which they cannot work and which, according to the Agreement with the Ford Foundation, was to be recruited by the West Bengal Government. There are various excuses, precedential delays, red tape.

Perhaps the inference is not unwarranted that, having brought the Team out, Dr Roy has lost interest. He has little use for the Team except for getting them to approve some of his own projects. But as a city planning team, they are naturally reluctant to take up the job in bits and pieces and approve of isolated projects except where, as in the case of the proper location of the proposed new bridge over Hooghly, they can be treated as separate propositions. Even the selection of a proper site for the bridge required a preliminary survey of the City traffic. This was conducted with exemplary despatch as the necessary staff was provided quickly. It was, of course, only a minor affair, a fortnight's rapid study of the flow of traffic, not a complete study of traffic by origin and destination. The temporary staff was readily supplied from the statistics and other departments of the Government as also from the I S I. The job done, the Calcutta Team have been forgotten. They are still waiting for the complement of Indian staff, without which they just cannot function.

Meanwhile, the sands of time are running out. Calcutta is not the only applicant on the waiting list for assistance from the World Bank and the Development Association. There are others and, needless to say, the World Bank cannot consider the proposition until it is presented with a workable scheme which will stand scrutiny. It is not the World Bank alone which is interested in the scheme. When Morarji was recently in Washington, President Kennedy expressed his interest and the U S Ambassador, Professor Galbraith, has been actively pursuing it. His visit to Calcutta this week has at least brought to light how the Ford Planning Team have been stymied by the lack of Indian staff. The visit has done another good thing. Professor Galbraith's talk with the press correspondents reported in the papers makes it clear

how ill-advised Dr Roy has been in pursuing the American Ambassador for financial assistance when all that he has to do to get all the money he wants is to produce a workable plan and set up a proper Authority to implement it. Dr Roy does not lack boldness or vision. Why should

he be so afraid of the politicians? The politicians need him; Dr Roy can stand on his own. With a programme which will capture the imagination of the whole of Bengal, he does not have to care. People will rally round him if he will stand by them.



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Weekly Notes

Bihar Floods

THERE has been a series of floods this year in one State after another, but the latest of these which has hit Bihar easily outstrips all the others in the extent and the fury of the ravages caused. That the death-roll so far recorded approaches 1,000 does not by itself convey an adequate idea of the extent of the damage caused and the suffering of the people. How many villages have been wiped out, how much cultivated land and standing crops have been damaged — all these still remain to be totalled up. Even the estimate that more than a million persons have been rendered homeless does not tell enough of the Bihar floods, which the Chief Minister of the State has described as unprecedented in living memory. The magnitude of the devastation is far greater than that of the Bihar earthquake of 1934 and the area affected is certainly very much greater. 15,000 Square miles is the rough estimate.

The district of Monghyr has suffered most, more than three-quarters of the deaths reported so far are from this district. Patna, Gaya, Bhagalpur, Darbhanga and Santal Parganas have all been affected. The floods have come in the wake of inundation a few weeks earlier from the swelling of the Ganga which submerged some 1,700 villages and akhs of acres of cultivated land which remained continuously under water for more than a month from the beginning of August. The reports are not very clear yet whether what has happened now is a recurrence of the earlier floods primarily caused by the swelling of Ganga or not. It looks certain, however, that whatever may be the misbehaviour of Ganga, a number of small rivers such as Kiul, Poonpoo and Haruhar were all in spate, and the hilly rivers, particularly in Patna and Gaya districts which are normally nearly dry and have a wide sandy bed, were suddenly in spate through heavy rainfall in their catchment areas.

The first task, of course, would be that of organising relief as swiftly and on as wide a scale as is possible. This is a calamity which Bihar, with its limited resources,

would be quite unable to cope with. Relief has to be put on a war footing. The question is also bound to arise of the inadequacy of flood-control measures. Flood-control and relief, however, should be kept apart and never, never mixed up. Control of floods, taming of the rivers and the elaborate measures that are necessary to reduce ever so slightly the impact of the floods when they do occur are long-term propositions which require much patient struggle and co-ordinated action. The Minister of Irrigation and Power is entitled to our sympathy when he pleads that complete immunity from floods is physically impossible even in some distant future and, even if technically feasible, it would not be economically justified. This is an unpalatable truth which has to be swallowed, but once the floods subside and relief is given, adequate or not, would it be possible to know with some degree of precision how much of the present damage and devastation was preventable and how much of it it will be possible to prevent in future, and at what cost?

The Third Five Year Plan says that at the time of preparation of the Second Plan sufficient data had not been collected for preparing detailed proposals for flood-control for inclusion in the plans of States and, consequently, the flood-control programme was taken up on an emergency basis and treated as a Centrally-sponsored programme. It is no longer on an emergency basis; a programme of flood-control is well under way and considerable progress has been made in surveys and investigations. Without being grumpy about slackness in implementation and impatient with committees and commissions for taking so long to draw up a programme, it would be useful to know, however disconcerting be the answer, how much exactly can be done and how much is being attempted.

More Indian Sugar for U S ?

THE inability of Philippines to take full advantage of the supplementary quota for sugar exports to the United States allocated to it after the U S break with Cuba has

brightened the chances of India obtaining an increase in its sugar export quota to the U S A. When negotiations were in progress in May and June this year, the U S authorities had promised to give sympathetic consideration to India's case if any of the other allottees were unable to fulfil the quotas which had been allocated to them. Its supplementary quota of 150,000 tons, it now appears, the Philippines will not be able to avail of in full. The shortfall is likely to amount between 75,000 and 100,000 tons. To India's quota of 225,000 tons, may now be added a substantial part of this quantity.

If India can obtain an increase of 50,000 tons in its quota for the current year, which is not improbable, it will be a definite gain, since the Indian sugar industry is embarrassed by its large carryover and even the proposed 10 per cent cut in production during the next year will not really solve the problem of overproduction which the industry faces. An important benefit that is likely to flow from the allocation of a supplementary quota for the current year is that India will be able to obtain an increase in its export quota under the International Sugar Agreement. The reallocation of the Philippines quota, however, will be a temporary affair, for the current year's exports only. There is bound to be insistence from the Philippines about the restoration of its quota next year to the original level. Unless, therefore, some country or the other is unable to fulfil its quota of sugar exports to U S every year, India's exports will fall once again. India will, therefore, have to look for some other solution for its long-term problems.

Meaning of Aligarh

THE outbreak of communal frenzy in the western districts of U P during the last fortnight is a warning, if a warning was required at all, that there is more to integration than the holding of conferences and passing of resolutions. The National Integration Conference won well-deserved plaudits for its business-like approach to the problem. It also suggested, for the first time, the creation of a perma-

nent national body to constantly review matters pertaining to integration and to make recommendations to the Government thereon. This is not enough, however. It is much more important, and infinitely more difficult, to work out the details of the broad programmes which won general approval at the Delhi conference with a view to implementing them. The meaning of Aligarh is that this task will brook no further delay.

The question has been asked whether the riots in U P, which claimed more than 30 lives, were organised. The State Home Minister, after touring the riot affected areas, expressed the opinion that the initial outbreak in Aligarh was not planned, but the manner in which the trouble spread to other areas was well-organised. Students from the University spread out into the neighbouring districts, carrying wild reports of the events of October 1 and 2 on the campus. This, the Minister said, was the 'common pattern' behind the incidents.

However exaggerated the reports of the fleeing students, the fact must be faced that the Aligarh University is a communal institution with an overwhelming majority of Muslim students on its rolls. It has not cleared itself of frequent charges of communal bias in recruiting staff and admitting students. In these circumstances it would have been surprising indeed if the elections to the students' bodies had not been fought on communal basis.

The suggestion has been made that a fresh enquiry should be instituted into these aspects of the affairs of the Aligarh University, since the last enquiry, conducted only a few months ago, was confined only to administrative matters. But a question which deserves to be asked is : why should the Aligarh University continue to be a Muslim university? Of course, the same question must be asked about the Banarès Hindu University and, in fact, of all public educational institutions formed and run on communal basis. Does not national integration demand that sentiments of separateness based on sectarian considerations of caste or community would be minimised and, eventually, eliminated altogether? This would demand, in the first instance,

the forthwith abolition of all sectional reservations and privileges, including those now provided in the Constitution to the Scheduled Castes and 'backward' classes. Certainly, the road to integration does not lie through denominational universities.

Paying for Coffee Exports

THE chief criticism against the Coffee Board's system of export sales through closed tenders is that marketing coffee under bulk has adversely affected foreign demand by obscuring the distinctive qualities of some of our coffees. The decision to replace this system by open auctions from January next, announced last week, will, therefore, be generally welcomed. In open auction the buyer has the opportunity to bid for and obtain the particular lot best suited to his requirements. This is of particular importance since in foreign markets Indian coffees are not sold 'straight' but only after blending.

Dissatisfaction with the Coffee Board's marketing policies is almost as old as the Board itself. Of late, however, the view that these policies are outmoded has not been confined to the bigger growers alone, but has been shared by official bodies like the Expert Committee on Marketing of Coffee and the Estimates Committee of the Lok Sabha. Indeed, the Coffee Board has not been unaware of at least some of the shortcomings in its marketing procedures. Even as early as in 1958, while recommending the appointment of the Expert Committee on Marketing, the then President of the Coffee Board had admitted that "the marketing methods which were originated some 15 years ago..... have already shown signs of inadequacy to tackle the present-day and future conditions of increased production".

Production of coffee has increased spectacularly in the last few years. Between 1954-55 and 1960-61, production more than doubled, from 25,000 tonnes to 52,000 tonnes. According to the latest estimates, production in 1961-62 will be about 67,000 tonnes. At this rate the Third Plan target of 80,000 tons is certain to be achieved well before 1965-66.

It is the Coffee Board's policy to set aside, at the beginning of each season, a certain portion of the crop to meet the anticipated require-

ments of the internal market and allocate the rest for export. According to the Board's estimate of likely domestic demand in 1961-62, about 34,000 tonnes are likely to be available for export. This is well over 50 per cent higher than the level of exports achieved in 1960-61.

Quantity is one aspect of the problem of coffee exports; price is the other. World prices of coffee have been falling, particularly since the middle of last year. 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 from exports could be partly diverted to subsidise the internal selling price.

As a result of the decline in export prices, the payment made to the growers has been steadily declining and is now not much above the 'minimum return' calculated by the Coffee Board on the basis of the cost of production. This is not itself very serious since the 'minimum return' provides for reasonable earnings. But prices received by growers cannot be reduced further without adversely affecting quality and output. At the same time, any increase in internal prices will, it is feared, affect sales.

One alternative that suggests itself is to expand domestic consumption so that the subsidy on exports can be widely spread out. Fortunately, internal and export demands for our coffee are to a certain extent non-competitive in so far as domestic demand for good quality Arabica plantation coffee, which commands a good market abroad and which still fetches an economic price, has been relatively stable. On the other hand, domestic demand for the Robusta variety, which is not in much demand abroad, has been rising over the last few years. Thus in the case of coffee, unlike in that of tea, increases in internal consumption and in exports may turn out to be complementary, not competitive. It is in this context that the fiscal restraints on internal consumption, which were made more stringent in the last Budget, have to be judged.

Future of Natural Rubber

BY the time Dr Rama Varma left the Tariff Commission to take over as Chairman of the Rubber Board, the Industries Minister, Shri Manubhai Shah, had nearly solved his problems. For, the production of synthetic rubber is to exceed that of natural rubber in the Third Plan. And since it takes only a couple of years to set up a plant for synthetic rubber and put it into production, the fulfilment of this part of the target should raise no problems. Natural rubber, however, is a different proposition. A rubber tree takes about 8 years to mature and to start yielding any rubber. That is not all. Synthetic plants can draw continuously on the results of research conducted elsewhere without much additional cost. But in the case of natural rubber, because of the difference of soil and climate, the results of research cannot be so easily imported and applied.

So Shri Manubhai has nearly solved the problem of natural rubber, but not entirely. The target for rubber in the Third Plan is over a lakh tonnes, of which 50,000 tonnes will be synthetic and 45,000 tonnes natural rubber, the balance being made up of reclaimed rubber. Now, though rubber is an important commercial crop and there is an all-India Board to look after it, Dr Varma complains, the present situation in the industry is not known as fully as it should be. The Rubber Act stipulates that any area planted with rubber has to be registered with the Board, but registrations are still incomplete. So are the statistics of production, even for estates of over 50 acres, with the result that production can be estimated only indirectly from the returns of consumption and stocks supplied by rubber manufacturers. As no separate record is maintained of the tappable area, the trend of yield per acre is difficult to estimate with reasonable accuracy. Information on other vital matters such as capital structure in the industry, its financial resources, profitability and labour employed — none of these is fully available.

Making some heroic assumptions, Dr Varma estimates that if due weight is given to production from superior saplings and budded trees that would be ready for tapping by the end of the Third Plan, produc-

tion of natural rubber may perhaps reach 40,000 tonnes. This is on taking into consideration the expected increase in the acreage to be replanted. So production of an additional 5,000 tonnes has to be ensured, if the target for natural rubber is to be attained.

The measures suggested for increasing production are: improved manuring practices, adequate plant protection, new methods of tapping, application of yield stimulants and better employer-employee relationship. Demonstration plots of 100 acres each for the benefit of small holders appears to be the principal device for securing the additional production. This is because the small holder accounts for more than half of the present acreage under rubber and nearly a third of these small holdings are less than two acres on the average. An essential first step seems to be to help the small holders to raise their holdings to plots of 5 to 15 acres for which purpose the Board has recommended to Government to advance loans on easy terms.

Dr Varma finds that while the Board's replanting subsidy scheme and new planting loan scheme take

care of the long-term capital requirements of the small holder to a large extent his short-term credit needs are not being looked after properly. As rubber is regarded as a plantation crop, the small rubber grower is excluded from the normal cooperative credit facilities extended to agriculturists.

Replanting and new planting with high yielding varieties are urgently needed. At least 50 per cent of the area now under rubber is overdue for replanting, and replanting of the remaining area should not be long delayed. Moreover, the area now being planted with ordinary saplings should be replanted with high yielding ones during the next 10 years. This is a long-term programme for which the Board has raised the subsidy to Rs 1,000 per acre. Both Kerala and Madras Governments have plans for substantial new plantings also. All this, however, will not make any contribution to rubber production during the period of the Third Five Year Plan. The future of natural rubber, however, will depend on the success in bringing modern advances in science to the aid of the planter who is predominantly a very small producer.



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A Delhi Letter

Asian Planners Meet

(From a Correspondent)

LAST week, at Vigyan Bhavan in New Delhi, ended the first conference of economic planners in the Asian region. This conference, convened by the ECAFE, was of special interest to the countries of the region, who having secured political independence after the last world war, have been striving to accelerate their economic progress. Besides the representatives of the Asian countries delegations from the economically advanced countries like the U K, the U S A, the U S S R, France and Netherlands participated in the conference. The meeting provided an opportunity to the representatives of the different countries, both developed and underdeveloped, to exchange their experiences and to appreciate the complexity and magnitude of the problems involved in economic planning. Thanks to the efforts made by the ECAFE Secretariat, the necessary background material was available in a form which was easily digestible. Besides being intelligible, the papers submitted by the ECAFE Secretariat were also comprehensive and objective. All the delegations were unanimous on this score.

The Procedure

The Prime Minister inaugurated the conference on the 26th of September. For the next week or so, the delegates were busy either in the plenary sessions or in the Technical Committee — the Drafting Committee — dealing with the three main items on the Agenda, namely:

- (a) A decade of development planning in the ECAFE region;
- (b) Administrative machinery for planning in the ECAFE region; and
- (c) The scope of regional co-operation in Asia and the Far East.

Besides the Chairman and the two Vice-chairmen, who were elected by the Conference, there were also three discussion leaders, one for each topic, chosen from the delegates, for the purpose of leading the discussions along fruitful chan-

nels. Either because the role they were to play was not specifically clarified or because the chairman or the vice-chairman presiding over the sessions, usurped in some cases, the role which should have naturally been that of the discussion leaders; many a time the discussions were not as pointed as they should have been. This was also the result of the latitude allowed to the delegates, notwithstanding a general hint to be brief, to take as much time as they liked in making their observations. The general impression was that the host-country, which was represented by a massive team of 23 delegates, was particularly generous in treating the fellow-delegates, to a series of speeches. One of the discussion leaders, a delegate from Burma, while summing up the discussion, made a subtle observation that the duration of speeches on the topic under reference ranged from 3 minutes to 49 minutes. The latter was from a member of the host-country's delegation. For the most part, as is usually the case at conferences of this kind, the discussion assumed the form of prepared statements being read by the delegates. There were of course, a few exceptions. The procedure did not leave much scope for elaboration of points made in the various statements or for exchange of views on them. Notwithstanding these limitations, which to some extent are interesting in meetings of this type, the conference was, on the whole, instructive and interesting.

Review of Planning

Review of the decade of planning, the first topic on the agenda, naturally attracted the greatest attention of the delegates. It gave the representatives of the different countries an opportunity to narrate their experiences in detail and the opportunity was fully utilised. Three delegates from the host-country participated in the discussion and besides the representatives of the different Governments, the representatives of the specialised agencies of the UNO like the ILO and the UNESCO, and of the non-governmental organisations, like the Inter-

national Chamber of Commerce, the International Confederation of Free Trade Unions and the World Federation of Trade Unions, made statements emphasising their special role or interest in planning. The narrative of the problems and progress of planning in some of the countries represented at the conference was both interesting and enlightening. The rate of growth of national income of 8.5 per cent per annum, registered by the Japanese economy in the last 10 years, being one of the highest recorded in the post-war period, the statement of the Japanese delegate attracted a great deal of attention. Japan's Long Range Plan for the decade 1961-70 aims at doubling the national income in ten years.

The account given by the French delegate, however, proved to be more interesting. Making use of an elaborate set of input output tables, the French planners develop a series of forecasts both of consumption and investment, attach a great deal of importance to planning of income distribution and lay stress on the development of a network of financial intermediaries. There is a great deal of consultation with the different interests concerned such as industry and labour and also academicians. The results of economic planning in France have apparently been so striking that private enterprise is reported to be more enthusiastic about it than the Government.

The Burmese experience too, which was narrated in a snappy and humorous note, following an earnest and vigorous speech surcharged with motion from Dr V K R V Rao, was also of considerable interest. The Burmese plan is a plan formulated in consultation with all the political parties and implemented by the State. Marketing of rice is a Government monopoly. The necessary infra-structure for a certain level of development has already been provided. The Burmese, therefore, are shifting the emphasis from the public sector to the private sector. They hope that by these means they will be able to attain quicker results.

Among the representatives of the underdeveloped countries, there was naturally full agreement on the need of economic planning for securing rapid development. The rates of growth recorded in the decade were considered to be very low. On the approach to planning also, there was a great deal of unanimity. Industrialisation and technical research were accepted as the two-fold basis for successful planning in the future. The need of paying adequate attention to regional balances within individual countries was also accepted. The view was put forward very forcibly by the delegate of Indonesia. Above all, the consensus of opinion was that, in the ECAFE region, mixed economy would be the most appropriate and fruitful pattern to adopt for attaining the goals of economic progress.

In the course of discussion, the use of capital output ratios for formulating development plans came in for a good deal of criticism. It was pointed out by a number of delegates that the aggregate ratios did not take into account the gestation period of the different projects, that the statistical data available for the purpose were inadequate and, therefore, such ratios were likely to be highly misleading. Both Prof. Tinbergen and Prof. Reynolds fully agreed with this view. Similarly, serious doubts were expressed about the validity of the concept of "take-off" developed by Prof. Rostov. Burma had "taken off" as early as 1951, one of the Burmese delegates wittily remarked, but she had to come down because the Korean boom did not last!

As all the countries of the ECAFE region except Burma had plenty of unemployed man-power, there was a fairly wide acceptance of the proposition that plans of economic development in these countries should be more labour intensive than capital intensive. An interesting suggestion was put forward by Prof. Tinbergen that capital should be taxed in order to ensure its most economic use and the use of labour should be subsidised. However, the illustration of the textile industry in India which he gave was, perhaps, not quite appropriate to the point.

On the question of the appropriate administrative machinery for planning, the ECAFE working paper presented the problem in its correct perspective by stating that if plan-

ning was to succeed, it was essential to develop administrative machinery capable of performing functions quite different from the conventional ones of defending the country and maintaining law and order. The working paper stated that broadly speaking, for economic planning the administrative apparatus of the state, would have to be so fashioned as to facilitate the formation of a comprehensive and popular plan, provide for well-coordinated, prompt and efficient implementation, and ensure an intimate link between these two aspects of planning. During the discussion that followed the presentation of the working paper by the ECAFE Secretariat, the representatives of the different countries presented in a nutshell the nature and the status of the planning machinery in operation in their respective areas, and in the light of their experience made a number of constructive suggestions.

Broad Agreement

Notwithstanding the differences of emphasis and shades of variations, there was a broad agreement of views on the basic points relating to the appropriate administrative machinery that the ECAFE countries should strive to develop. It was, for instance, generally agreed that the planning organisation entrusted with the responsibility of preparing the plans should be a high-powered body, equivalent in status to a ministry of the government, but it should be essentially an advisory body. In order that the planning organisation may have the necessary status, it should be headed either by the Prime Minister or the Finance Minister. The Indian delegate who spoke on the subject, put forward the suggestion that the planning organisation should have the same status as that enjoyed by the judiciary, but the suggestion did not find favour with the other delegates.

It was agreed that in the predominantly agricultural economies such as those prevailing in the ECAFE region, fulfilment of targets, particularly in the agricultural spheres, depended largely on the whole-hearted cooperation of the masses. The Prime Minister in his inaugural address had laid special stress on this aspect of planning in a democratic set-up. The conference fully endorsed this view, and

recommended that scientists, economists and specialists in different spheres should be continuously associated with the process of planning. It also recommended that in order to ensure maximum public cooperation, the administrative machinery should provide for decentralisation of decisions on a wide scale, particularly in countries with large populations and federal constitutions.

In order to keep track of the progress of implementation, it was necessary to secure scientific evaluation of the progress of development plans on an annual basis. The conference felt that this task should be entrusted to an organisation different from the planning organisation so as to ensure severe objectivity.

The third subject on the agenda, viz the scope of regional cooperation in Asia and the Far East, was different in character from the other two which dealt with the steps and the policies which each country should take for accelerating its rate of growth. Regional cooperation necessitates identifying the interest of individual countries with the interest of the region as a whole and involves subordinating, to some extent, the consideration of short-term immediate benefit to the sharing of possible long-term gains to the region as a whole. As the delegate from Pakistan aptly remarked, regional cooperation involved taking a mental step from national thinking to regional thinking. The subject also has political implications. The discussion naturally was restrained. It was at the same time very helpful in clearing some of the cobwebs and in laying the road open for further critical studies.

Dr P S Lokanathan, who was the discussion leader for this topic, posed the problems for consideration quite clearly, making use of the working paper of the ECAFE Secretariat on the subject, though he slipped a bit in trying to explain away India's policy of food self-sufficiency. The subject of regional cooperation in the ECAFE region acquired a special urgency in view of the emergence of integrated economic groups in Latin America and Europe and the prospects of similar developments in Africa. Prof. Tinbergen who took an active part in the conference and made interesting comments on

every subject under consideration, observed that regional cooperation between the countries belonging to the ECAFE area would improve considerably the productivity of the region as a whole. He suggested that industries subject to economies of scale should be developed in terms of the regional economy.

No Colonial Type Complementarity

A typically cautious note was sounded by the representative of Ceylon, who while supporting the general idea of regional cooperation stated that it should not mean "colonial type of complementarity". A similar note was uttered by the representative of Pakistan who stated that no attempt should be made to force the pace of regional integration as such an effort would lead merely to the building up of resistance to the idea.

There is already a group of countries in the region, namely, Philippines, Malaya and Thailand who have formed themselves into an association for sub-regional cooperation to promote social and economic development. A suggestion was made that similar other groups might come into existence as a step towards securing wider regional integration in the end. The most important suggestion, however, was to make projections of developments in the different countries of the region for the next 10 to 20 years with a view to ascertaining the full scope for the development of transport, communications and trade within the area and also for ascertaining the scope for the distribution of industries involving economies of scale. This study is to be undertaken by the ECAFE Secretariat.

The Conference came to a close on the 3rd of October when the suggestions made by the Executive Secretary of the ECAFE for the establishment of a Regional Advisory Group on Economic Development and Planning and an Asian Institute for Economic Development were accepted. The object of forming an advisory body is to make the services of experts available to any country in the region for advice in the formulation of development plans and the Asian Institute is to be set up for training economic planners and developing techniques of planning appropriate to the regions.

The Urdu Press

THERE were 723 Urdu papers in India in 1960. Of these, 79 were dailies. The largest number of Urdu papers (177) was being published from the Punjab. Uttar Pradesh had 161 Urdu papers, Delhi 155, Andhra Pradesh 58, Maha-

rashtra 53, Jammu & Kashmir 43, Bihar 15, Madhya Pradesh 14, Mysore 16, West Bengal 21 Madras 9, and Rajasthan 1.

The total circulation of 394 Urdu papers (dailies and periodicals) — for which circulation figures were available—was 10.55 lakhs in 1960.



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From the London End

Bank Rate Cut, but No Relaxation

THE lowering of the Bank Rate from 7 per cent to 6½ per cent last week came as a great surprise to most people. Although some reduction had been expected, the announcement came much sooner than most people had predicted. In 1957, for instance, it was six months before the Bank Rate was reduced from its high level. Perhaps the timing of the announcement was chosen because the Mansion House dinner provided Mr Selwyn Lloyd with an excellent opportunity to play down the importance of his decision. Accordingly, the Chancellor went out of his way to stress that the reduction in the Bank Rate implied no easing of credit restrictions and that the policies he had outlined in July, particularly the need for a wage pause, remained unchanged. The need to direct a larger proportion of national output to exports and to keep close check on home demand remained paramount.

The 7 per cent Bank Rate was a crisis measure intended to emphasise the strength of the Government's intention to hold the exchange rate. With the growing strength of the sterling, there was little need to hold the rate at this high level. There was, besides, a good reason for lowering the Bank Rate as soon as possible so as not to attract 'hot' money back into London which would put a fresh strain on the international exchange structure and give a misleading picture of Britain's balance of payments. In the event, the rise in gold reserves since July and the strong sterling exchange rate, provided the necessary background for the Government to make a small reduction.

The Mansion House dinner also provided the new Governor of the Bank of England, Lord Cromer, with an opportunity to state his views on the economic situation. The main point he made was that "non-monetary" measures, which had a most important place in Mr Lloyd's July budget, were likely to be relatively slow in producing their effect. Lord Cromer also expressed the opinion that Britain's recent large loan from the International Monetary Fund had been necessitated not solely by

the activities of speculators, but by the basic fact that "we have been spending overseas more than we have been earning overseas". He drew attention to the high level of home demand which weakened the export drive and emphasised the need for cuts in expenditure abroad. "Is the high level of Government expenditure overseas not perhaps based more on our imperial past than tailored to our changing position in the world, or the need to confine financially unremunerative expenditure overseas to what, as a nation, we are prepared to earn overseas?" He strongly supported Mr Lloyd's view that the change in the Bank Rate would not weaken the Government's resolution to implement its declared long-term economic policy or other measures of monetary restraint. The need for exports and greater efficiency was stressed. "It is my firm belief that constant recourse to disproportionate use of monetary measures is no substitute for a consistent and appropriate economic policy".

Thus it would be a complete mistake to suppose that the Government's economic policy has changed in the slightest because of the ½ per cent reduction in the Bank Rate. This reduction has been made for purely technical reasons and a further reduction of ½ per cent is very likely in the near future, assuming that the exchange rate remains strong.

Ravages of 'Hot' Money

The latest issue of Bank of England's *Bulletin* deals with the outbreak of speculation against the Pound in the period preceding Mr Lloyd's little budget, the Basle Agreement and the loan from the I M F. It is particularly interesting where it draws attention to the strains to which the machinery of international payments and the sterling is now subject. Dealing with the speculative movement of funds, set off by the unexpected revaluation of the D Mark, it says this was "of a magnitude which had not been seen in the post-war years". Therefore, when the Basle group met in mid-March, it was obvious that unless they took early and effective action, the whole stability

of the international payments structure would be undermined. Exact figures are not available, but apparently the speculative outflow of funds from the U K during the second quarter of 1961 exceeded £200 m and the emergency help provided under the Basle Agreement reached a peak of £325 m at the end of June. The authorities are naturally reluctant to be more explicit and all that is disclosed is that with the help of the £536 m borrowed from the I M F, the "great bulk" of this £325 m has been repaid by the end of last month.

The National Institute's Economic Review is also out. It forecasts that Britain's overall balance of payments may again show a surplus in the first half of 1962. This view is based on the belief that: (a) exports will rise again in the next twelve months and it would not be "unreasonable" to expect a 5 per cent to 8 per cent increase, by mid-1962; and, (b) imports will not alter much during the rest of this year.

Both the Bank and the National Institute agree that the recent fall in imports is temporary and that export opportunities in the US and Western Europe are getting better. Unlike the National Institute, the Bank believes that the current account is likely to remain in deficit for some time to come. The views of both, however, coincide when it comes to the question of exports. They both believe that a real improvement in the balance of payments will have been achieved only when a larger proportion of the national product is permanently directed to exports.

Evasion at Brighton

As was expected, the Labour Party Conference at Brighton had very few surprises to offer. Mr Gaitskell was able to reverse the Scarborough motion on defence, but he was defeated on the question of the Polaris base and the presence of West German troops in Britain. The debate on the Common Market was dull and it was ultimately agreed to pass a 'wait and see' resolution without a debate on the

pros and cons of Britain's entry into the Common Market.

The final motion that was passed demanded that Britain should not enter the Common Market without guarantees for British agriculture, the European Free Trade Association countries and the Commonwealth, but the general impression of the speech made by Mr George Brown, Deputy Leader, was that the

Letter from America

Pity This Young Man, the President

FROM the nightmare of Cuba to the death of Dag Hammarskjöld is a million frightening miles. The long summer is finally over: children are back at school and the Congress is adjourned till January. But, alas, for the new Administration, there can still be no respite. The wheels of history keep turning on, remorselessly, almost to Marxist dictates.

Franklin Delano Roosevelt had dragged a protesting United States into the world arena. Having arrived, this nation discovered that a big part of the world needed it, liked its munificence, leaned back on it for sustenance and assurance. While segments of population here and there kept on hating the encumbrances of external involvement, by and large national pride — may be even a sense of mission — prevailed. It is particularly unfortunate that, in the post-war period, this pride got hopelessly tangled in the philosophy of cow-boy folklore. Since the United States is the mightiest and most just nation, it is its ordained duty to save the world from Communism, and, God being on its side, it is going to win.

Educating the American Public

The rest of the world started growing aware from about the middle fifties that the United States, after all, might not be the mightiest nation. Besides, self-righteousness is of doubtful relevance as a preamble in political dealings. To acquaint the home folks with the reality of the latter is always difficult, but the Eisenhower Administration, if it had the will and courage, could have at least dropped a few broad hints that the U S is no longer the strongest on earth, or that, even if it were, the

Party was certainly not averse to British participation. The main argument which the Party's Left Wing has against Britain's association with the European Economic Community is the perfectly genuine concern lest a future Labour Government should be prevented, by Britain's membership of the Common Market, from pursuing its own policies on nationalisation and planning. No amount of argument is

nuclear confrontation reduces such strength to a theoretical issue.

Dulles in the long run is now dead, and Eisenhower happily for him, had the Twenty-second Amendment to shield him from nemesis. But the task of educating the American public can no longer be postponed, and it is President Kennedy's bad luck that he has to start the process. He had his job cut out from the day of inaugural: how to assuage feelings at home while trying to arrive at an honourable demarche with the Soviet Union. There is no question that his administration consists of about the best available talents in the country, and the application and industry that he himself has brought to bear are praise-worthy in the highest terms.

How to Do It

But talent and industry by themselves are not enough in a situation where emotional barriers have to be scaled. Education at home and innovation abroad have to proceed together, and the nature of the latter can help or hinder the former. Despite the time being out of joint, American foreign policy can only move warily between the upper and nether millstones of Adenauer and Chiang Kai-shek. Having been elected by a majority which, when worked out in percentage, belongs to two places of decimals, President Kennedy can hardly afford to scuttle, at one fell stroke, the two old gentlemen who symbolise primal emotions in American minds.

This happens to be the biggest dilemma for the Administration: it knows what it wants to do, but does not know quite how. It realises fully well that it is too late in the day to try to prevent the Soviet Union's onward march to power

going to persuade a genuine socialist that plans *a la de* Gaulle's France is the type of planning and control that would give a socialist direction to the economy. Another reason for hesitation is that joining the Community would tie Britain even more closely to N A T O and reduce her ability to play an independent role in international politics.

and glory, or to do away with the People's Republic of China, or to enforce that whoever receives money from the United States votes with it in the United Nations. The Administration is thus only too willing to settle on the basis of George Keenan's much-tossed-about policy of containment: a programmatic understanding with the Communists that what you have you have, but also that what we have we have, and let there be no further encroachment.

The Strategy That Failed

This is an attitude full of commonsense, but first there must be some device worked out to pacify the domestic protest that was bound to erupt against such a return to sanity. The Administration thought it had a way out *via* Cuba: the home crowd was to be kept happy by a show of power in dealing with Castro. President Kennedy would present an image of toughness and would put the bearded revolutionaries in the island on the iron. With this feather in his cap, it would not be hard for him to assuage the fairly widespread fear of appeasement, and he would then be in a position to offer certain deals to the Soviet bloc. Foremost amongst such deals that was being considered during the first months of the Administration was the opening of diplomatic relations with Outer Mongolia, hopefully to be followed by some sort of *de facto* recognition of China.

Two things went wrong with this strategy. First, the Administration failed to take account of the interdependence of the issues involved. It was sheer naivete to think that the Communists would fail to make an

issue of Cuba, or that the non-aligned nations receiving economic aid from the United States would not mind President Kennedy's effort to singe Castro's beard, or that suppression of the forces of social revolution in Cuba could be accompanied by a call for land reforms elsewhere in Latin America.

The second thing of course which, from the specific point of view, fouled up the Administration's strategy was the calling off of the invasion. Nothing ultimately succeeds like success in international relations, and if the Cuban regime could be overrun last April, it is conceivable that foreign protests would have died down after a few weeks. After all, the Soviet Union has gotten over the embarrassment of Hungary by now, and Dulles' coup in Guatemala in 1954 has passed into quiescent history. Having started the operation, the President had no business to grow cold feet in the middle of it. In retrospect, his loss of courage during that fateful Cuban night appears to have been one of the most expensive losses of courage in history.

Initiative No Longer Kennedy's

For since then, the initiative, whether in foreign or domestic politics, has no longer been quite his. The matter-of-fact Americans do not relish the prospect of a professional baseball slugger — who may be paid as high as \$ 100,000 annually — failing to hit a minimum number of home-runs; nor do they relish the sight of their President's muffing an international situation this conspicuously. For one thing, the Cuban misadventure ended the innovating phase of the Administration's foreign policy moves. An angry and aroused Congress stopped the nonsense of opening up of diplomatic relations with Outer Mongolia; even any discreet airing of Chester Bowles' two-China solution is now formally taboo. And it is quite transparent that negotiations over Berlin would have been much smoother if only Cuba were a success story.

The Congress knows that the President is on the run, and has taken full advantage of this. The most remarkable thing about the Congress which has just adjourned is the sudden accession of strength on the part of the House of Representatives which by tradition is supposed to be an inferior body. Nearly 75

per cent of the incumbent House members polled more votes in their respective districts than President Kennedy, and this gives them a somewhat moral ground to lay a claim of mandate from their constituents which they say the President lacks. They had held their fire during the first few months of the Administration in order to size up Kennedy's performance. But Cuba was for them the cue. Having discovered the vulnerability of the President, they have lost little time in dealing the Administration a series of legislative defeats. Representing as they do Congressional districts where politics is dominated by local issues, they tend to be conservative and this conservatism came into full play in the treatment accorded to the Administration's rather liberal proposals in the fields of education, housing and foreign aid.

The long summer is now ended, and the parried Administration, checkmated both abroad and at home, could do with some respite. But it is idle to expect that it would get any from either Mr Khrushchev or Herr Ulbricht or Prince Souphanouvong; the process of history does not work that way and now Hammarskjöld's death has brought in a large number of fresh imponderables.

As one views the picture, it is difficult not to feel some sympathy with the handsome young man, coming from a rich family, having a cute wife and two nice kids, yet who had to ascend the Presidency at this juncture and who has to cope with all this, and the wryest of the jokes making the rounds has it that Kennedy is going to demand a recount, in the hope that, after all, it was Nixon, and not he, who was really elected last November.

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Book Review

Smallscale Industries in Bombay

M C Shetty

Small Industry in a Big City : A Survey in Bombay by D T Lakdawala and J C Sandesara, published by the University of Bombay, 1960. Pp xvi+387, price Rs 20.

THE series of studies sponsored by the Research Programmes Committee of the Planning Commission in different parts of the country has added very significantly to our knowledge about small-scale industries in the country. Even so, much of the available information covers only the relatively large-sized units which fall within the purview of the Factory Act. The unorganised, "non-factory" industries continue to be neglected. Besides, a majority of the earlier studies in the R P C series concentrated on one or two aspects of these industries which then appeared to be important and did not, therefore, achieve a comprehensive treatment of the industries they studied. In contrast to these earlier studies, the present one has the distinction of being both comprehensive and thorough.

The importance of small-scale industries is now well understood in both the developed and the developing economies. In the developed economies promotion of small industries is viewed essentially as a mechanism for the promotion and preservation of the ideals of a 'competitive' economy and democratic social values. Through small industries these countries seek an effective and stable corrective against the forces of excessive centralisation. These forces, as the authors mention, were created originally by the "coal and iron complex of the paleotechnic phase, symbolised in large-scale plants requiring large funds and large organisations, secured through the device of joint-stock companies or modern corporations". These corporations or combines, controlled as they are by boards of directors with wide interlocking interests, come to exercise influence over a large part of the economies of these countries. As the authors put it, "apart from the specific monopolistic practices which these concerns could adopt, their very existence on a gigantic scale was felt undesirable particularly in

fields where the alternatives of small plants and enterprises were open" (p 2). The same centralising forces also brought about concentration of industries in or around the coal and iron producing centres, creating ultimately a wide ocean of depressed areas with islands of prosperous areas amongst them.

In the developing countries, on the other hand, promotion of small industries is advocated not only as a decentralising media, but also on grounds of economic strategy and social desirability. In India, for instance, sympathy for the "self-sufficient village-economy" school of thought is fast disappearing and hence the so-called "idealistic" school which sought to revive cottage and small-scale industries with a view to resurrecting the archaic order of society can now be dismissed as being of historical significance only. The case for small-scale industries rests on other grounds, such as on their technical feasibility in selected lines of industry and on their high employment potential with relatively small capital inputs. It is rightly emphasised that it is as illogical to argue for the adoption of the small-scale technique of production in the entire gamut of industrial activity as it is wrong to regard this technique as entirely outmoded.

Exhaustive Documentation

The excellent exposition of the rationale of small-scale industries contained in the book is supported by exhaustive documentation, especially in regard to trends in technology, transportation and power: factors which have helped to make small-scale operations technically viable and economical. The chief weakness of small-scale units is believed to be their commercial inefficiency, which results from organisational rather than technological reasons. The bulk of the volume is, therefore, devoted to verifying if this is in fact so.

The field-inquiry covers 1,060 units, each employing less than 20

workers, from among 51 industries. These 51 industries are studied under three broad categories. As the authors themselves admit elsewhere in the report, this classification of industries allowed for a wide range of heterogeneity, both as to products manufactured and processes employed in each division. This is reflected in the general analyses contained in the book, which, though excellent in themselves, do not permit of clear-cut conclusions for each industry. This is perhaps the fault of the rigid "frame" provided by the R P C for the study. Fortunately, however, this shortcoming has been made up by the analysis of individual industries in the appendix.

Techniques Adapted

The units have been selected on the basis of simple random sampling. Each analysis found in the body of the volume, especially with regard to capital co-efficients, valuation of capital equipment, assessment of "maximum" and "idle" capacity, employment, imputation of wage to unpaid family workers and owners, etc, embodies principles of industry-analysis adapted to suit the requirements of a study of the unorganised sector. Thus the present volume, besides throwing valuable light on the unorganised industrial sector in one of the biggest cities of India, is also an excellent guide to the application of refined concepts and tools of analyses to unorganised industries.

Some of the main results of the field enquiry may be briefly considered here. Generally speaking, the industries studied have been found to be ill-equipped, the average capital employed per unit being Rs 4,839, of which fixed capital accounted for a bare Rs 1,781. Further, "about 70 and 56 per cent of the total units respectively, had their fixed capital and total capital less than Rs 1,000" (p 57). It is also interesting to note that of the total working capital resources of a unit, as much as 31.4 per cent is reported to have

been accounted for by the item "credit due". No wonder, small units are compelled to be beholden to the intermediaries and the money-lenders for their continued subsistence. An analysis of the borrowed funds by reasons for borrowing indicates that 72.4 per cent of the total funds were borrowed for meeting the day-to-day operating expenses of the business.

The size of the units, judged by their pitifully small capital, would suggest that most of these units constitute owner-worked industrial establishments. This, however, is not the case. Only one-fourth of the total units were operated by self-employed persons, whereas "employer-units" formed three-fourths of the total with three-fifths of them being operated solely by employees. This appears to be a significant characteristic of "urban" small-scale industries in contrast to their "rural" counterparts which appear to be largely self-employed units.

The earnings of wage-workers as well as of owners as revealed in the survey make depressing read-

ing. On an average, the annual earnings of an employee were Rs 871, compared to Rs 1,358 earned by a factory worker, and those of owners (including unpaid family workers) Rs 1,881 per annum. This is a fact of considerable significance and needs to be taken note of. Hitherto, it was a widely-held belief that paid labour in the small-scale sector was "sweated". But the survey reveals that it is not only the "labour" which is "sweated" but also "capital". It would also appear that these industries cover up substantial under-employment, a phenomenon which has been regarded as being confined to the rural sector. This conclusion is supported by the fact that as many as 85 per cent of the sample units worked below capacity—at between one-fifth to four-fifth of their full capacity.

Excess Capacity

One of the important reasons for the existence of such huge idle capacity is believed to be "lack of demand" which, in turn, is reported to be the result of excessive competition. The small-scale units

in Bombay compete more among themselves than with large-scale units as is commonly supposed. Thus about one-half of the total sample units reported as having only small producers as their competitors, while only 13.6 per cent reported as having to compete with large-scale producers.

Since no industrial licences are needed to set up small-scale units, there appears to be over-crowding in most lines of manufacture. This fact needs to be taken note of by the Government, for, excessive competition not only represents waste of resources but also has a demoralising effect. Some form of "market intelligence" service to guide prospective small entrepreneurs into correct lines of manufacturing deserves to be seriously considered.

The study contains a number of suggestions on operative aspects of small industries. Based as they are on a scientific study of these industries, these suggestions would be very useful in the formulation of a policy for integrated growth of these industries.

Rural Family Status and Migration

Study of a Punjab Village

T R Gupta

An attempt is made here to study the relationship between family status and emigration from rural to urban areas.

The analysis proceeds on the hypothesis that the propensity to migrate varies inversely with family status.

To test this hypothesis a field study was undertaken in a village in Punjab, near Chandigarh.

The results of the study confirm that the higher the status of a particular family, the less is the tendency among its members to emigrate from the village.

[The author is grateful to Dr Don Kanel and Dr Walter C Neale, visiting professors at the University of Punjab, for their comments and suggestions.]

AN emigrant, strictly speaking, is a person who gives up his birth place with a view to settle somewhere else permanently. This involves immigration. This, however, is not a necessary condition, especially when we talk of migration within the country. Thus emigration is understood to take place even without subsequent immigration.¹ Such cases are mostly employment-oriented and our study includes also persons who go to the urban centre of work every morning and return home every evening.

Economic considerations are undoubtedly of paramount importance in creating the desire to migrate. But the weight attached to the same is different in different cases. The 'liberal theory', based on the abstraction of the 'economic man' engaged in persistent effort to act in accordance with his best economic interests, may be cited as proof of the importance of economic considerations. This, however, may be more relevant when we talk of migration on an international plane as the persons involved are usually more enlightened and even then "not every individual who has the opportunity of becoming better off through migration has the desire to migrate and not every would-be emigrant has the opportunity to do

¹ "Emigration and immigration are not merely the same act seen from different points of view; they are two different phenomena. Emigration may occur without subsequent immigration: an emigrant who has given up his old residence may not be willing or allowed to become settled elsewhere." Isaac Julius: 'Economics of Migration', London, 1917, p. 4.

so".² This is not to deny the role played by economic considerations but to emphasise that played by considerations other than economic. Keeping in mind that the desire to migrate is not the same thing as actual migration, we can say that the volume and direction of internal migration—or what may be termed as the propensity to emigrate—is a function of a number of variables like long-time trends in the economy, economic opportunities available, changes in social and political institutions, folkways and activities, regional and urban rural differentials in fertility, mortality and standard of living, trends in total population growth, attachment or liking for the traditional work and surroundings, market demand for both goods and services, transport facilities available, age, sex and social and economic background of the migrants, etc. All these factors have a role to play—direct or indirect—and produce their effect in a roundabout way. Since none of them is subject to rigorous control it is not possible to determine their correlation and the net effect of each. Nor is that the aim of this paper.

Emigration—Risky

An emigrant is motivated³ by "comparison of his existing opportunities with contemporary opportunities elsewhere".⁴ But by the

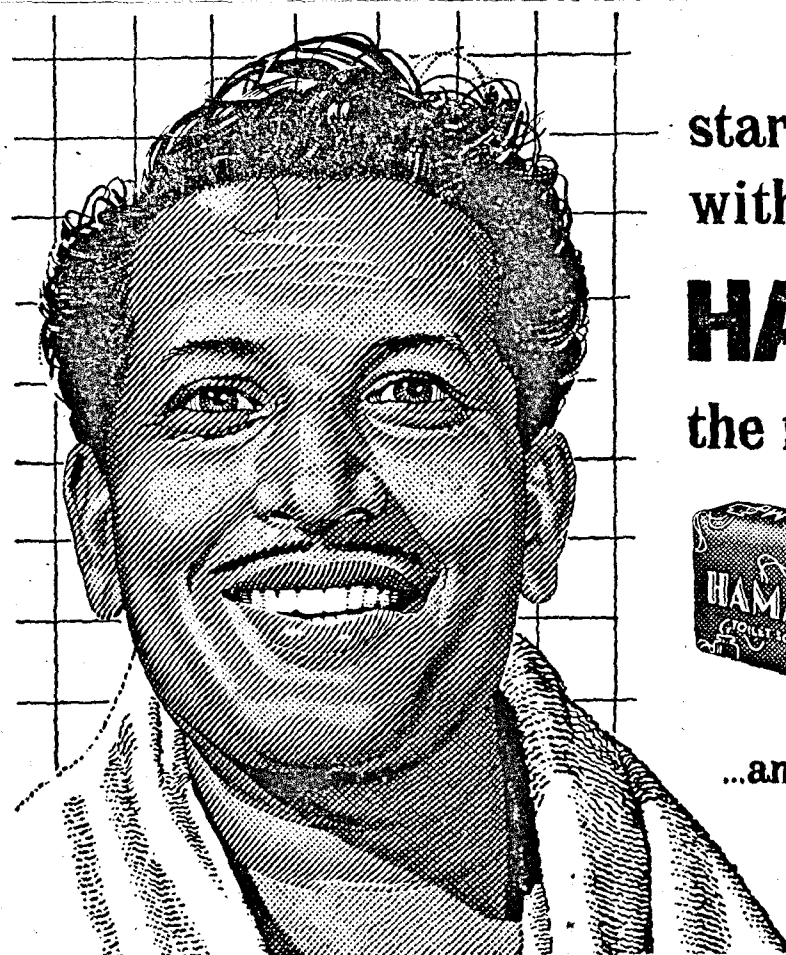
² Ibid. p. 23.

³ As we shall see, the initiative might be of the migrant or that of the head of the family he belongs to.

⁴ Isaac Julius: Ibid. p. 33. This new field of employment need not be understood to mean the most profitable or optimum employment.

decision to migrate, a person places himself in an atmosphere of risk. Besides the problems connected with the process of adjustment to the new occupation and atmosphere, some period of unemployment cannot be ruled out. Moreover, his migration may be failing in its aim if the conditions in the new field of operation deteriorate or those in the old one improve beyond expectations. Thus the valuation of this risk would play a very important role in shaping the decision to emigrate. This valuation, in turn, would be different for different individuals, as an individual's temperament and character have a bearing on the same. But a more important factor, especially in Indian conditions, which has a reference to such valuation is the 'family status'—the social and economic background of the family—of an emigrant. The significance of as important an institution as the family should hardly need any emphasis⁵ since the phenomenon of the 'self-made' man—which is a product of new techniques of mass communication like radios, cinemas, newspapers etc—whose ambitions are different from those of his parents has not touched the rural youth in this country to any considerable extent and family ambitions continue to play a very im-

⁵ There has been a feeling that the family structure in India is disintegrating and that this particular social institution has lost much of its importance. This is a wide question. I feel that the family is not disintegrating, but undergoing a change. Its importance in socio-economic studies cannot, therefore, be minimised.



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portant part in the choice of profession⁶.

Our main aim in this paper is to study the relationship between this social institution and emigration. Though we will be talking on the basis of those who have actually migrated, yet the aim is not to study the 'family status' of an emigrant or of emigrants. On the contrary, it is to investigate into the particular class of families from which some person or persons have made a departure from the family occupation—agriculture and other primary activities—and spent the major part of their working time outside the village. We proceed with the hypothesis that the propensity to emigrate varies inversely with the 'family status'. To test this, a village survey was carried out during January-February 1961, some results of which are discussed below.

Field work was carried out in only one village chosen from the point of view of convenience. The village is situated at a distance of five miles from Chandigarh on the Chandigarh-Pathankot road. Two important tehsil towns of Punjab, which also serve as good 'mandis' for the agricultural produce of the area—Kharar and Rupar—are at distances of 4 and 24 miles, respectively. Frequency of buses to Chandigarh or to Kharar and Rupar is 15 to 20 minutes. The village is thus very well connected with urban centres and is open to urban influence. The village is under a N E S block (II stage) and the facilities of a small dispensary are also available. A primary school is situated at a distance of one mile but the high school at Kharar is attended by the residents of this and other neighbouring villages. A wollen mill located at Kharar provides employment to a number of people of the locality. There are no barbers or men with religious duties. In all there are 34 households in the village, 24 of which are those of Jat Sikhs. Of the rest, 6 are Brahmin and 4 Harijan. Tube well is the most common source of irrigation. Tractor-farming, though not common, is not unknown, and most of the

⁶ Since the exact choice of an alternative profession depends on a number of complex factors, we can say that family ambitions play a role at least in taking the policy decision whether or not to emigrate.

households with 3 or more heads of cattle own a chaff-cutter.

Social Status

Two points need to be mentioned here. First, to assess the material status of a family, the size of the agricultural land owned is taken into account and, second, that social status is assumed to vary in line with material status. This assumption, however, is not without justification. Besides land holdings, what matters in Indian villages is the caste, and Brahmins are placed on top of the social ladder. The Brahmin families in this village own only tiny plots of land and so there may appear a contradiction to our assumption. With reference to this particular village, however, this contradiction disappears since it is a Jat Sikh village. Jat Sikhs do not give any undue importance to the Brahmins. Schedule caste families are in any case at the bottom of the social ladder and have no land whatsoever. Social status, therefore, is equivalent to economic status, which varies with the size of the agricultural land holdings of the family, which is thus the only measuring rod of 'family status'.

The basic information received is that in all there are 85 adult male members, 23 of whom are educated⁷; 14 from among these educated persons and 15 uneducated members have migrated, giving us a total of 29 emigrants. The 85 adult male members attached to 34 households in the village form the subject of our study. They are divided into two groups based on the size of landholdings of the families they belong to. The first group is of those belonging to families with 0 to 19.99 bighas⁸ of land while in the second group we place those who belong to the fami-

⁷ A person above 15 years of age is considered an adult.

⁸ All those who have passed the primary school examination are counted among the educated. Out of the 23 educated males 9 have crossed the primary school stage, 11 are educated upto middle school and of the rest, one is a matriculate, one has passed the Intermediate examination with science and the third is a bachelor of arts. All the three comparatively 'highly' educated persons belong to the same family owning 85 bighas of land.

⁹ One bigha is equal to 1/5 to 1/6 of an acre.

lies owning 20 bighas or more¹⁰. The number of adult male members in these groups are 25 and 60 respectively, the number of emigrants being 13 and 16.

Chi-Square Test

In the language of statistics, the test of our hypothesis is the test of any significance of difference in effect of the size of family landholdings on migration of individuals for which we make use of the Chi-square test. Using this technique (see Table 1), it can be said that our hypothesis is a true one. Since we have established the size of agricultural landholdings as the measuring rod of 'family status' we find that the better the family status in the village, the less is the tendency to move out. This, however, tells us only about the psychological tendency of the individual or individuals. But individuals from the group of families with bigger agricultural landholdings have also emigrated. The decision to migrate does not depend merely on the propensity to do so. There are a number of factors which facilitate the process of emigration.

Table 1

Chi-Square Test of Significance of Difference in Effect of the Size of Family Landholdings of Adult Male-Members and Their Migration.

Size of agricultural land holdings	Migrants	Non-Migrants	Total
0 to 19.99 bighas	13	12	25
20 bighas and above	16	44	60
Total	29	56	85
Percentages	34	66	100

$X^2 = 5.038$; $n = 1$; P is between 0.02 and 0.025.

Education is one such factor. The relative prospects of employment of an educated person are always better than those of an uneducated person. As we shall see, some of our emigrants have gone out to take up teaching posts. This particular line, for example, is certainly not open to the uneducated. The point may be raised that most of our emigrants are literate but not educated persons and the prospects of employment of such individuals are hardly better than those for illiterate persons. True, the pros-

¹⁰ The grouping is not subjective. Taking account of the quality of the land and the techniques of farming, a 20 bigha farm is considered to yield 'average' income per head for an 'average' family.

pects of employment may be same but it is a fact that once employment is secured, problems of adjustment to the new field of operation and atmosphere are comparatively less troublesome for such individuals. Not only that they can read and write, their letters and fill in their own money-orders for sending home money, the fact that they can write their own application for employment, which many a time is a problem, is important in as much as it gives some confidence and makes for psychologically healthy attitude. Applying the Chi-square test (see Table 2) it is found that migration is, to a great extent, a function of education. We cannot, however, say that education is a factor of greater importance as compared to the size of family landholdings or that migration is more a function of education than of the size of family landholdings. Besides the question of the net effect of any one factor, which it is not possible to separate, we may note that any one of them may create the desire to emigrate and facilitate the process of emigration as well. The point however is not simple enough and to bring home its implication—since we have already established that the propensity to move varies inversely with the social and economic background of the individual and that education facilitates the process—we have now to see whether or not education creates the desire to emigrate and how the social and economic background of a would-be migrant can facilitate the process of or help in actual migration. For this purpose we introduce two further points in our discussion. First, we will take into account the availability of investible money—which is a function of the 'family status'—which a would-be emigrant may be in a position to invest and start work independently without looking for employment. Second, our finding (see Table 3) that a proportionately larger number of members from the first group of families are educated is important. Thus, to the extent education facilitates emigration, it can be said that even low 'family status' facili-

tates the process of migration or the decision to migrate.¹¹

Push vs Pull

The analytical distinction between 'push' and 'pull' factors can be brought in at this stage. It is difficult to deny that migrants from the low status group are impelled by adverse conditions of life or by other such circumstances. This can be seen very clearly in relation to our hypothesis that the propensity to emigrate varies inversely with the 'family status'. The propensity declines because of the absence of 'push' factors and the comparatively low level of emigration from the higher landholdings-group of families is, to a great extent, caused by 'pull' factors. Emigration in their case is facilitated by their sound economic position which means a better capacity to bear the risks connected with migration and by the availability of ready investible money. The fact that two trucks, on which three of our migrants work, are owned by families in this group, should be enough to show how the availability of investible money and 'high family status' facilitate emigration. Moreover, families with higher status enjoy better social contacts which in turn lead to 'pull' migration. Experience of a particular migrant who was initially helped by a relative of his and now owns a dry cleaning plant and runs his own business at an important urban centre in the Punjab may be cited in support of the point. Higher 'family status' is also related to emigration through higher education. Though, a proportionately lesser number of persons from this group of families are educated, yet higher education is associated only with those individuals who belong to higher 'status families'.

The task now is to find out whether or not education, as it facilitates emigration, also creates the desire to emigrate. This can be done by studying the significance of difference in effect of education

¹¹ The argument may not look very sound since the association of literacy with low family status may be just due to chance. The fact can, however, be explained by absence of work on the family farm and/or because there is no problem of looking after the cattle which is usually the most important assignment for the children of school-going age.

on migration while we keep the effect of the size of family land holdings constant. Our statistical analysis (see Tables 4 and 5) leads us to the conclusion that the number of educated migrants is significantly different from uneducated migrants. This is true for both the groups of families. This clearly means that the factor of education is important not only in shaping the decision to migrate but also in creating a psychological propensity, which may or may not be necessitated by 'push' factors.

Table 2

Chi-Square Test of Significance of Difference in Effect of Education on Migration of Adult Male-Members and Their Migration.

	Migrants	Non-Migrants	Total
Educated	14	9	23
Uneducated	15	47	62
Total	29	56	85
Percentages	34	66	100

$X^2 = 10.043$; $n = 1$; P is between 0.005 and 0.005.

Table 3

Test of Significance of Difference in Effect of Size of Family Landholdings on Education* of Male-Members.

Size of land holdings	Educated	Uneducated	Total
0 to 19.99 bighas	8	17	25
20 bighas and above	15	45	60
Total	23	62	85
Percentages	27	73	100

$X^2 = 0.438$; $n = 1$; P is between 0.98 and 0.99.

* Only those who are adult male-members at present and who form the subject of this study are studied here.

Table 4

Test of Significance of Difference in Effect of Education on Migration of Adult Male-Members from Families with Small Landholdings (Below 20 Bighas).

	Educated	Un-educated	Total
Migrants	7	6	13
Non-migrants	1	11	12
Total	8	17	25
Percentages	32	68	100

$X^2 = 5.7$; $n = 1$; P is between 0.01 and 0.02.

Table 5

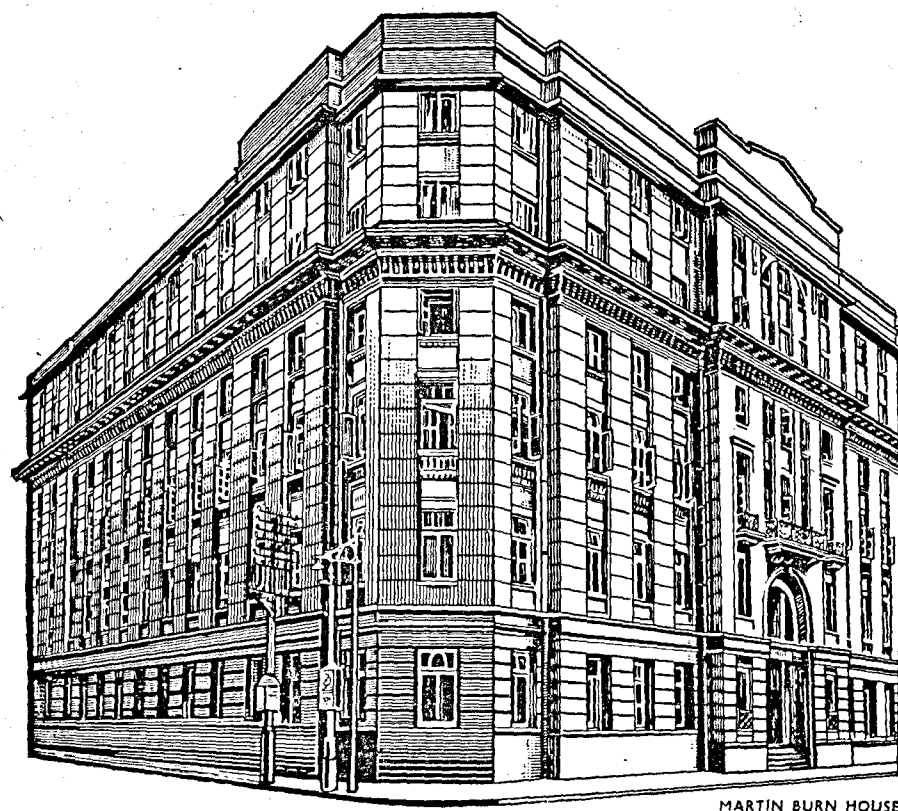
Chi-Square Test of Significance of Difference in Effect of Education on Migration of Adult Male-Members from Families with Higher Land Holdings (20 Bighas and above).

	Educated	Uneducated	Total
Migrants	7	9	16
Non-migrants	8	36	44
Total	15	45	60
Percentages	25	75	100

$X^2 = 4.08$; $n = 1$; P is between 0.025 and 0.05.

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Combined Effect

We may now consider the combined effect of both these factors — education and the size of family landholdings — on migration. The statistical analysis (see Table 6) leads us to the conclusion that the combined effect is significant. On a close observation it can even be said that the largest number of our migrants are educated persons from that group of families which have small or no agricultural land. (See Appendix)

It may be interesting to study the difference in effect of size of agricultural landholdings per adult male and their migration as against the relation between migration of individuals and the size of their family landholdings. Application of the Chi-square technique gives us a significant difference (see Table 7). Since agriculture is the only source of income of the residents of this particular village, we have by studying the size of his agricultural landholdings studied an individual's source of income and from the result we can further generalise that most of the individuals have emigrated because of the presence of 'push' factors. Replies to our questioner show that not a single case of migration is explained by bad harvests in any particular season or year. Emigration took place mainly because there was absence of work on the farm (the number of family members being large compared to the size of the farm) or because there was no farm at all.

We may briefly dispose of the question of reluctance to emigrate on the part of the rural folk. This involves the question of supply and demand. If employment opportunities continue to be available in urban areas, i.e. if urban centres generate a demand for manual labour and if employment opportunities in case of agriculture continue to shrink (which certainly happens with rising population), labour from rural areas must emigrate. It is one thing not to like to be away from home and familiar circumstances but quite another to be reluctant to move when it is a question of finding a source of livelihood, especially so when such a source is available. It is a known fact that urban areas have generated a demand (not very high, of course) for labour in recent years and the

response to this has in no way been poor at least in our case. As will be seen from Table 8, 19 out of a total of 29 migrants, or nearly 66 per cent, are in urban centres for a period of less than five years and nearly 76 per cent have emigrated within the last ten years only. This, however, does not mean that all those who want to migrate have been in a position to do so or all those who have migrated are engaged in activities best suited to their temperament and character. No doubt the employment market is over-flooded, but there need be no doubt about another fact that most of those who want to emigrate or even those who have emigrated have little idea about the various opportunities that might be open to them. Establishment of some sort of an advisory body, therefore, is in the best interests of those who cannot be absorbed into the activities available within the village.

II

Some Economic Consequences of Migration

The question of the economic consequences of migration would not be of importance in an economy where full employment of labour has been reached¹². Occupational adjustments take place in response to the simple law of supply and demand between various sectors of the economy and to secure full benefits from and to provide full scope for these occupational adjustments. "For the areas of net out-migration a major concern would be with measures to reduce or prevent the detrimental effects of a continued out-migration of the most capable individuals; for the areas of in-migration, a major concern would be with reduction or prevention of the adjustment problems which arise when many persons from one cultural setting must adjust to another".¹³ Thus in a state of 'full' or nearly 'full employment', migration may have its impact on

¹² "In a social and economic order that provides adequate employment opportunities for all its workers, the issues in rural urban migration become those of securing optimum occupational adjustments for the individual workers. This assumes fluidity of the labour force". Conrad Taeuber, "Recent trends of Rural Urban Migration in the United States" in 'Post-War Problems of Migration', New York, 1947. p 134.

¹³ Ibid p 134.

culture, but the economics of the process is simple enough.

However, with regard to an economy where a high level of unemployment prevails, where the simple law of demand and supply for goods and services does not operate between the sectors of the economy, the problem is not so simple and the process of migration — at least analytically — may entail a number of consequences which are of social as well as economic importance. It introduces various sources, other than agriculture, of income into the rural community and so may lead to a division of the people between different classes based on different sources of income or at least into two distinctive classes, one of people whose income is derived exclusively from agriculture and the other whose income is derived both from agriculture and urban sources. Urbanisation means a shift from barter to a money economy and is one of the indicators of economic development. Sociologically, stratification which is an important

Table 6

Test of Significance of Difference in Effect of the Size of Family Landholdings and Education on Migration of Adult Male-Members.

	EL	EL	eL	el	Total
Migrants	7	7	9	6	29
Non-migrants	8	1	36	11	56
Total	15	8	45	17	85
Percentages	17.6	9.4	53	20	100

$\chi^2 = 15.1$ $n = 3$ P is between 0.001 and 0.005.

Note: E = Educated
e = Uneducated
L = Big Family Land Holdings
l = Small Family Land Holdings.

Table 7

Test of Significance of Difference in Effect of the Size of Landholdings per Adult Male and Their Migration.

Size of land holdings	Migrants	Non-Migrants	Total
0 to 9.99 bighas	21	28	49
10 bighas and above	8	28	36
Total	29	56	85
Percentages	34	66	100

$\chi^2 = 4.0$; $n = 1$; P is between 0.025 and 0.05.

Table 8

Length of Residence of the Migrants in Urban Centres of Work.

Length of residence	Number of migrants	Percentage to total
Less than 5 years	19	65.5
Less than 10 years (more than 5 years)	3	10.3
10 years or more	7	24.1
Total	29	100.0

characteristic of urban communities is most likely to find a place in rural areas. The isolation of the village is disturbed. Contacts with cities increase and some sort of a "demonstration effect" may effect a change in the demand schedule of the countryside. Generally, we can say that it weaves the fabric of relationship between urban and rural communities which have different and peculiar characteristics of their own, and so is one of the determining factors in moulding the social structure and must have a bearing on the policies aiming at rapid economic development and social change. A general discussion¹⁴ with reference to our study of the likely consequences of the process of migration would therefore be in place here. Since labour is the primary source of production, and hence of demand, the effects of migration need to be discussed not with reference to a particular industry or sector but with reference to all the sectors of the economy.

Impact on Economic Efficiency

Migration has a bearing on economic efficiency as well as the cost of production. With regard to secondary production, for example, if the flow of labour is towards any particular industry, the wage rate in that industry may go down or in case of a general rise, it may not rise proportionately. This in turn has its repercussions on the cost of production, the price of the product of the industry, the elasticity of demand for the product, the general demand schedule of the workers in this industry — as their wages would be comparatively lower —, and so on the total production if this industry employs a significant part of the labour force. A very important point is that lower wages leave little or no incentive for technical improvements and so the particular industry is likely to lag behind the rest of the economy as far as improvements in the technique of production is concerned. The working of economic forces, however, may lead to a stage where it is no longer possible to keep down wages. Such a situation would tell upon the profits of the business. Our inquiry, however, does not indicate that such a situation need

¹⁴ It is primarily a general discussion and reference to the field enquiry on all points is not necessary.

arise, since our emigrants have chosen not one but a good number of new fields of operation. They are school teachers, peons, clerks, truck drivers, soldiers and some of them have their own independent business.

By migration, the immigrant might be reducing production in the sector he is leaving. But ours is a case of migration from the countryside and in view of the fact that there is a good deal of 'disguised' unemployment on our farms, the question of production being reduced due to emigration does not arise. On the contrary, since urbanisation means a shift from a barter to a money economy and affects age-old attitudes, the technique of production on our farms may change for the better. Whether, and how far, such change would take place, would depend, other things remaining the same, upon the extent and nature of migration. Emigration on a large scale may lead to a dearth of workers on the farms. It would also mean higher money incomes flowing into the villages, which can be utilised to pay for the introduction of new techniques of production.¹⁵ This would not merely restore production but would raise it much higher.

Another relevant point is that most of the migrants come home once or twice a year. The period of their stay in the village varies from a fortnight to eight weeks. Those who are in the military stay longer in the villages compared to those engaged in other government or private jobs. This period is shortest for those who are self employed but even such persons spend some time in the village every year. What is important is that the emigrants make their holiday coincide with the harvesting season when the work is maximum in agriculture. This is especially so in case of those who have joined the military and who form more than 25 per cent of the total number of migrants.

A point of great interest and importance is that the entry into the labour market takes place in early adulthood. More than 86 per cent of the total migrants left home when they were below 25 years of age (see Table 9). This can be explained

¹⁵ It is assumed that the migrants share their money incomes with their families in the village. This is true of our case.

ed psychologically by saying that the propensity to move declines with increasing age or increasing length of 'service' in any field of operation. Any way, the point has a bearing on the "replacement rate" and population growth. The farm population in the past has multiplied itself at a higher rate as compared to the urban population and "there is normally a larger number of young people reaching maturity than there are older persons dying or retiring and thus creating vacancies in the labour force."¹⁶ This brings forth the question of the "replacement rate" in agriculture which is generally very low and to the extent migration helps in preventing over-population on the farms it is beneficial. But care needs to be taken to see that agriculture is not left with older and weaker persons. However, because of the established inverse correlation between the propensity to emigrate and the size of family land holdings, this possibility is not of much importance in our case.

Table 9

Age of the Emigrants at the Time of Their Leaving the Village		
Age in years	Number of migrants	Percentage to total
Below 15	—	—
15 to 19.99	17	58.6
20 to 24.99	8	27.6
Sub-total	25	86.2
25 to 29.99	1	3.4
30 to 34.99	2	6.9
35 and above	1	3.4
Total	29	100.0

Population Growth

Coming to the point of population growth, migration helps in reducing the birth rate by raising the age of marriage.¹⁷ What would have a definite effect on the birth rate is emigration of women as well. But in our case no women have migrated independently. On the contrary, only 18 per cent of the married persons (2 out of 9) have moved out with their wives. Since all or most of our migrants come home for some part of the year, it is not likely that the rate of population growth would be reduced because of the migration of these male members. Rather, the rate of population growth is likely to be still higher. Given the assumption

¹⁶ Conrad Taeuber, *Ibid.* p. 126.

¹⁷ Less than one-third of the total migrants in our case are married.

that social changes are slower than technical ones, a higher money income, instead of raising the standard of living, is likely to be absorbed by larger families. This would naturally lead to a decline in the mortality rate and increase in total population. An attempt must, therefore, be made to speed up change in social attitudes. The Community Development movement can do a lot in this direction.

Migration has a bearing on the distribution of income within a society. It may be argued that since persons with small or no land holdings migrate more in proportion to others, the concentration of income distribution is reduced while the concentration of land holdings remains as high as before. Though our hypothesis is in line with this argument, yet our case seems to be one where migration may further accentuate the existing disparity of incomes in the rural society. To appreciate this point we have to take into account the occupational pattern of the migrants. Leaving out the details, we may note here that though a proportionately smaller number of persons from families with higher agricultural land holdings have emigrated, these migrants have gone to bigger centres of industry and trade and have adopted professions which yield much higher income as compared to the professions adopted by those who have less or no agricultural land. This is natural.¹⁸ The analytical distinction between 'push' and 'pull' migration should be enough to make this clear. Thus, assuming that the income from the family farm does not change disproportionately, the process of migration is very likely to accentuate the gap between the income classes.¹⁹

¹⁸ "It may safely be assumed that the migrant who is driven by adverse conditions of life or by other circumstances is more concerned with his present lot than with more or less, vague expectations for the future. The migrant who has lived under tolerable conditions but who expects to become better off by migration will attach more importance to future prospects". Issac Julius: *Ibid.* p. 34.

¹⁹ The point can be made very clear with the help of the generalisation that all those who are 'rich' have a secondary source of income, while all those who have a secondary source of income are not "rich".

APPENDIX

Computation of Chi-Square Test for Table 6

	Observed Frequencies					Theoretical Frequencies				
	EL (2)	El (3)	eL (4)	el (5)	Total (6)	EL (7)	El (8)	eL (9)	el (10)	Total (11)
Migrants	7	7	9	6	29	5.2	2.7	15.3	5.8	29
Non-migrants	8	1	36	11	56	9.8	5.3	29.7	11.2	56
Total	15	8	45	17	85	15	8	45	17	85
Percentages	17.6	9.4	53	20	100	17.6	9.4	53	20	100

$\chi^2 = (\text{Observed minus theoretical frequencies})^2 \text{ divided by theoretical frequencies.}$

$$= \sum \left[\frac{(7-5.2)^2}{5.2} + \frac{(7-2.7)^2}{2.7} + \frac{(9-15.3)^2}{15.3} + \frac{(6-5.8)^2}{5.8} + \frac{(8-9.8)^2}{9.8} \right. \\ \left. + \frac{(1-5.3)^2}{5.3} + \frac{(36-29.7)^2}{29.7} + \frac{(11-11.2)^2}{11.2} \right] \\ = \left[\frac{(1.8)^2}{5.2} + \frac{(4.3)^2}{2.7} + \frac{(-6.3)^2}{15.3} + \frac{(.2)^2}{5.8} \right. \\ \left. + \frac{(-1.8)^2}{9.8} + \frac{(-4.3)^2}{5.3} + \frac{(6.3)^2}{29.7} + \frac{(.2)^2}{11.2} \right] \\ = \left[\frac{3.2}{5.2} + \frac{18.5}{2.7} + \frac{39.7}{15.3} + \frac{.4}{5.8} + \frac{3.24}{9.8} + \frac{18.5}{5.3} + \frac{39.7}{29.7} + \frac{.4}{11.2} \right] \\ = 0.6 + 6.8 + 2.6 + 0.0 + 0.3 + 3.5 + 1.3 + 0.0 \\ = 15.1$$

Urban-Rural Terms of Trade

Besides determining the flow of services, emigration is an important factor in determining the flow of goods between the urban and rural sectors. The latter would depend upon the pace and object of migration and it is difficult to determine the net effect in any particular direction. Given large scale migration and the fact that these migrants maintain their contacts with the village, the flow of goods should take place in both the directions. The argument is that if a large number of persons have emigrated from the farming sector, the marketed surplus of agricultural produce would increase. On the other hand, the migrants would affect the consumption pattern of the countryside and create a demand for urban products. What is more likely to happen, however, is that the migrants, because of the money income that is available and because of the impact of the city life, affect the demand pattern of the rural families, while the effect of migration on marketed surplus of agricultural produce is lost. Some sort of a 'demonstration effect' may create a demand for urban goods while the farmers' demand for their own product does not diminish proportionately.

This brings us to the question of the terms of trade between the two sectors of the economy. As economic development takes place, the terms of trade have a tendency to move against the primary sector

and this tendency would, in a case similar to the one discussed above, be accentuated by emigration. Urban demand for food and other farm products is already high while the 'demonstration effect' creates demands for the urban products. Thus while no major shift in prices in favour of farm products can be expected,²⁰ prices of industrial goods may further rise. A sectoral imbalance is likely to develop and frustrate some of the efforts to improve economic conditions in the countryside and achieve a more equitable distribution of national income. Thus the process of emigration, which is necessary and beneficial, does create problems which can be eliminated or minimised through proper planning.

²⁰ The prices of agricultural commodities may rise further but such a situation would not be explained by higher urban demand. This is particularly so in case of food items.

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Chinese Economic Assistance to Nepal

Y P Pant

From the pattern of her assistance to Nepal so far, it is clear that People's China has chosen to play an important role in the industrialisation of Nepal.

The projects covered by the recent Sino-Nepalese Agreement, concluded on September 5, will, when complete, make the country self-sufficient in some basic materials like cement, paper, etc.

India and the United States have also extended sizeable economic assistance to Nepal, largely directed to agricultural development.

[The views expressed are those of the author and have nothing to do with his official position as Secretary to the Ministry of Finance and Economic Affairs, Government of Nepal.]

THE signing of the Protocol on September 5 between Nepal and China in accordance with the aid pact between the two countries, signed in Peking in March 1960, and the State Visit of His Majesty the King to China, provide the occasion to look into the economic relations between Nepal and China. Foreign relations are conditioned by various factors like geographical and strategic considerations, political obligations, economic necessities and historical ties. Lying between the Tibet part of China and India, Nepal is 500 miles from the nearest sea-port. The Himalayas present a great physical and climatic barrier in the north, but cultural contact and trade between Nepal and Tibet have taken place across the Himalayas through several passes. Though only a small volume of purely local trade can pass through these passes, historical bonds have been always there as the Nepal-Tibet border has been crossed in the past by Buddhist and Christian missionaries.

Even to-day people of diverse races and castes live in Nepal, and migration from Tibet appears to have been unrestricted in the past. Indeed, Nepal has been a meeting ground of the cultural streams from the north and the south where Brahmanism and Buddhism have been happily blended, resulting in a distinct culture which finds expression in temples and chaityas, homes and palaces, social ceremonies, religious festivals and fairs, customs and manners, and dancing and singing.

Nepal's relations with China might have dated almost from the beginning of history. Legends and geology have testified that the valley of Khatmandu which was originally a lake was drained of its water by

a traveller named Manjushri from Manchuria, who after having got the place settled returned to China. The relations between India and China in olden times depended on Nepal in view of the latter's geographical position. Nepal has been influenced in the past by Chinese and Tibetan traditions. Historical changes and developments in China have left some mark from time to time on Nepal. Through her long and chequered history as an independent nation of the Himalayas, Nepal has also many a time repulsed invasions from both the south and the north and has thus proved herself, worthy of freedom and independent existence. Among the famous travellers who came from China to Nepal, Fahien (406 AD) and Huenstang (635 AD) were full of praise for Nepalese art and culture.

Some historians maintain that from ancient times Nepal had no relations with China, and that hostilities between the two countries dated from the Chienlung reign or about 1790. Though on the Governmental level, relations may not have been established before this, the two countries were known to each other through travellers, cultural exchanges and social and even matrimonial relations from very ancient times.

Aid Agreement

To trace the relationship between Nepal and China, one should go back to the end of the eighteenth century (1792) when Nepal and China were involved in a war for the first time. The Treaty of 1792 which governed the relations between the two countries provided, among other things, for freedom of trade and commerce for the citizens of both the countries in each other's territories. Nepal's

relations with Tibet were determined till 1955 by the Treaty of 1856.

From 1910 until 1955 when the diplomatic relation between two countries was re-established, contacts between Nepal and China were completely cut off. Nepal's relations with Tibet, of course, remained unaffected. The relations between these two countries could not continue for long after the resumption of normal diplomatic relations on August 1, 1955 to just an exchange of ambassadors. The two countries, being desirous to develop their traditional economic and trade relations on the principles of equality and mutual benefit, concluded the Agreement to maintain friendly relations between the two countries and develop trade and intercourse between Nepal and the Tibet region of China, on September 20, 1956.

After this followed China's offer of economic assistance for Nepal's development which has further strengthened economic ties between the two countries. On October 7, 1956 the Nepal-China Aid Agreement was signed according to which economic aid was generously offered amounting to 60 million Indian rupees, of which one-third was to be given in instalments in foreign exchange, and two-thirds in machinery, equipment, materials and other commodities which Nepal needed and China could supply. The aid was to be utilized for the establishment of a cement factory and a paper factory in Nepal. China handed over to the Government of Nepal 20 million Indian rupees in cash, which was utilized to finance various developmental projects in Nepal. Unfortunately the rest of the aid could not be utilized in time.

On March 21, 1960 another Agreement on economic aid bet-

ween China and Nepal was signed. The amount of aid under this agreement was 100 million Indian rupees. This amount, together with the 40 million Indian rupees unutilised from the earlier loan thus made a total of 140 million Indian rupees. It was envisaged that the aid will be utilized for various construction programmes in Nepal, particularly for revenue-yielding projects spread over a period of three years.

Meeting Local Expenditure

The Protocol concluded on September 5, 1961 in accordance with the Agreement on Economic Aid of March last year and the letters exchanged between the two Governments provide further evidence of the earnestness of Nepal and China to co-operate with each other. The Agreement of Economic Aid of 1960 could not, however, be implemented because of difficulties experienced by Nepal in meeting the local expenses of the projects financed by Chinese aid. Recognising Nepal's difficulty, the People's Republic of China came forward with an offer of 10 million Indian rupees in cash and 25 million Indian rupees in goods to meeting the local expenses. Three construction projects, a cement factory with a capacity of 50,000 tons of cement per annum in Hitaura, a pulp and paper factory with a capacity of 20 tons of paper per day, a power plant in Nepalganj and a smallscale leather and shoe factory, the location and capacity of which are to be decided after proper investigation, have been taken up under this aid. Nepal will not have to depend on imports of cement after the completion of the cement factory in about five years.

Economic ties between Nepal and China were, until recently, limited to the Tibet region of China. Even to-day Nepal does very little trade with China. As per the recent protocol, China has agreed to provide 25 million rupees in the form of necessary commodities which are to be utilized for meeting the local expenses of the projects undertaken with Chinese aid. This will also develop her trade with China. Nepal has been planning for diversification of her foreign trade; this is a step in the right direction.

Before the opening of the new trade route via Kalimpong in the

wake of the Young Husband Mission in 1904, there used to be brisk trade between Nepal and Tibet. Kuti and Keraung were famous centres of trade where the products of Tibet were exchanged with the goods and merchandise of Nepal. Though the volume and value of trade with Nepal has somewhat dwindled in recent times, Nepalese merchants still have some hold on Tibetan trade. The absence of a modern transport system has been a serious hindrance to the development of trade. Now that Central China has been made accessible to Nepal by road, and that the development of transport and communications in Nepal, is progressing fast, it will be much easier to develop trade between Nepal and China.

No doubt, an agricultural country like Nepal should concentrate first

on the development of agriculture. In the sphere of agriculture, which is the source of subsistence for about 95 per cent of the populace, India and USA have been helping Nepal for the last few years. Both financial and technical aid from these countries has been satisfactorily utilized in agriculture, irrigation and village development. However, after a certain stage agricultural development cannot proceed without industrialisation. Present trends indicate that China will play an important role in the process of industrialising the country. The projects included in the recent Aid Agreement will, on completion, make the country self-sufficient in some basic materials like cement and paper which are now imported and will thus also save foreign exchange.

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From the Chair

Industrial Finance Corporation of India

Speech of the Chairman, Shri K P Mathrani, I C S

The Following is the Speech delivered by Shri K P Mathrani, ICS, Chairman, Industrial Finance Corporation of India, at the Thirteenth Annual General Meeting of the Corporation held on September 28, 1961 :-

Gentlemen,

Owing to the fortuitous circumstance that I assumed my duties immediately on the expiry of the year 1960-61, it is my pleasure and privilege, soon after my taking over, to present to you the Annual Accounts of the Corporation and the Report of the Board of Directors for the year ending the 30th June 1961. The printed copies of the Accounts and of the Report have been circulated to all the shareholders and I shall, with your permission, take them as read.

The year under report marks another stage in the economic development of the country—the completion of the Second Five Year Plan and the beginning of the Third. Your Corporation has played not an insignificant role in the achievement of one of the major objectives of the Plan, namely the establishment of a sound and progressive industrial economy. During this five year period, we sanctioned loans of the value of Rs. 62 crores and 61 lakhs and disbursed funds to the extent of Rs. 40 crores and 62 lakhs. Over the thirteen years of the existence of the Corporation loans aggregating Rs. 105 crores and 82 lakhs have been approved, a sum of Rs. 57 crores and 35 lakhs having been disbursed during the period. It shall be our aim to ensure that the Corporation makes a further useful contribution to the economic growth of India with the specific object of reducing our dependence on the import of manufactured goods as well as plant and machinery.

Successful Year

The year under review has been a particularly successful one for the Corporation. Our gross income reached the record figure of Rs. 2 crores and 99 lakhs as against Rs. 2 crores and 50 lakhs during the

preceding year and our net profits, after making provision for income tax and corporation tax, came to Rs. 84.75 lakhs, showing an increase of nearly 42% over the previous year. It has, therefore, been possible for us to add substantially to our reserves which now stand at Rs. 1 crore and 69 lakhs, an increase of 69% on the balance at the end of the last year. We have, in addition, as a reserve for doubtful debts, a sum of Rs. 14.61 lakhs, which is considered to be more than adequate. In fact, a review of the reserve has shown a distinct improvement in the position of our bad and doubtful debts. As in the previous two years, we have provided a sum of Rs. 10 lakhs towards progressive liquidation of the subvention of Rs. 53.45 lakhs received by us from the Central Government for the purpose of paying the guaranteed minimum dividend on our share capital in the early stages of the establishment of the Corporation. This leaves a balance of Rs. 18 lakhs only which we plan to repay in the course of the next two years. In view of the statutory restriction contained in the second proviso to Section 31(2) of the I. F. C. Act the dividend for the year is being limited to the minimum guaranteed by the Central Government, nearly 2½%.

Record Loans

As will be evident from the Statement of Profit & Loss Account, there has been an appreciable diversification of our activities during the year, even though the interest on loans continues to be the major source of our income. While the income from this source has gone up by 13.3%, from Rs. 2 crores and 25 lakhs during the previous year to Rs. 2 crores and 60 lakhs, that from commission on underwriting of shares and on guarantee of deferred payments has increased by over 120%, from Rs. 4.60 lakhs to Rs. 10 lakhs; in addition, we have earned a handsome profit by sale of some of our investments. Moreover, during the year we also received, for the first time, a dividend on the shares held by us

The total amount of loans approved by your Board of Directors during the year aggregated Rs. 21.21 crores, which is an all time record for the last 13 years of the Corporation's activities, and shows an advance of Rs. 3 crores and 29 lakhs over the figures for the last year of Rs. 17 crores and 92 lakhs. The Corporation received 76 loan applications during the year under review for an aggregate amount of Rs. 36.86 crores as compared to 38 applications for an aggregate amount of Rs. 17.54 crores received during the year 1959-60, indicating an increase in the volume of business handled by the Corporation of almost 100% over the previous year. The aggregate amount of loans sanctioned by the Corporation has now exceeded rupees one hundred crores, which may be considered as a landmark in the life of the Corporation. These noteworthy achievements have been facilitated by the fact that the Corporation has widened the scope of its activities by granting loans in foreign currency, guaranteeing deferred payments, underwriting equity and preference issues, and financing industrial projects jointly with other institutions, etc.

It may not be out of place to refer briefly here to some of the joint ventures with other financing institutions in which the Corporation has participated in recent months. The Corporation has for the first time sanctioned a loan of Rs. 60 lakhs to a concern engaged in the manufacture of paper jointly with the Commonwealth Development Finance Company Ltd., of the United Kingdom (CDFC) and the Industrial Credit and Investment Corporation of India Ltd. (ICICI). These two institutions have agreed to grant loans of £ 525,000 (approximately Rs. 70 lakhs) and 1.47 million dollars approximately Rs. 70 lakhs respectively to meet the cost of the imported plant and machinery while the loan of the Corporation is to be utilised for the rupee expenditure. In another case, the Corporation has ag-

reed to grant a loan of Rs. 18 lakhs to a concern engaged in the manufacture of camphor and its allied products jointly with the ICICI which has granted to it a loan of Rs. 30 lakhs in foreign currency. In two other cases the Corporation has agreed to finance industrial projects jointly with two State Financial Corporations. I am sure you will agree with me that these are steps in the right direction. It is our intention progressively to broaden the fields of co-operation between ourselves and other financial institutions, both at home and abroad. This policy would also help to diversify the risks of investment and thereby render it possible to finance large requirements with a view to making a further contribution to the rapid industrialisation of the country.

Foreign Credits

At the last Annual General Meeting, mention was made of the efforts of the Corporation in obtaining credits in foreign currency and of the sanction by the Development Loan Fund of the United States Government of a loan of 10 million U. S. dollars to the Corporation for giving sub-loans to industrial concerns in the private sector in the country. How useful this facility has proved can be gauged from the fact that during the few months of the year after signing of the agreement the Corporation approved dollar sub-loans aggregating 9.023 million dollars (Rs. 4.23 crores) along with rupee loans of the order of Rs. 1.37 crores to 14 concerns engaged in the manufacture of a variety of products such as glass, paper, chemicals including fertilisers and electrical machinery, etc. Shareholders will be glad to note that our relations with D. L. F. in the matter of these loan operations have been very satisfactory and the Fund have agreed to raise the limit up to which the Corporation can grant sub-loans without their prior approval from \$250,000 to \$500,000. The Corporation had, at the close of the year, pending with it applications for the dollar sub-loans equivalent to Rs. 5.62 crores. As we stand almost fully committed in respect of this first loan, negotiations for an additional loan of U. S. \$20 million from the D. L. F. are in progress and it is hoped that a further tranche of dollar loan will soon be available to us. Apart

from the credit in dollars, possibilities of securing loans in other foreign currencies are also being explored.

In regard to our loan operations, the sugar industry continues to lead the list of loans approved by the Corporation for the last three years consecutively. This is mainly due to the high priority given by the Corporation to the establishment of sugar factories in the Co-operative sector. The Corporation has so far sanctioned loans aggregating over Rs. 23.20 crores to 37 sugar co-operatives distributed all over the country and I am glad to say that the working of most of the factories which have gone into production, has been satisfactory. The success achieved in the establishment of sugar co-operatives has led to the promotion by the Corporation of co-operative projects in other lines of production as well. The Corporation has sanctioned loans amounting to Rs. 49.70 lakhs for the establishment of two co-operative spinning units. The loans approved by the Corporation for co-operative societies represent 22.4% of the total loans approved by it, which is indicative of the important role played by the Corporation in the promotion of this sector of the economy.

Next to sugar, paper and textiles occupied the second and third places in the quantum of loans approved by us during the year. For the first time since its inception, the Corporation has sanctioned a loan of Rs. 20 lakhs to a concern engaged in coal mining. It is also a matter for satisfaction that concerns from the less developed parts of the country are now utilising the facilities offered by the Corporation on an increasing scale. In this context you may be interested to note that 17 loans aggregating in amount to Rs. 5 crores and 93 lakhs were sanctioned to concerns located in the States of Andhra Pradesh, Assam, Kerala, Orissa, Rajasthan and Uttar Pradesh.

Underwriting Operations

In the field of underwriting too, we have made much progress, though our approach in this line has been somewhat cautious. The Corporation approved twelve proposals for underwriting of preference and equity issues of Rs. 2.32 crores (as compared to five proposals for Rs. 1.87 crores in the

previous year), thereby bringing the total amount of underwriting approved by the Corporation to Rs. 4.30 crores. The applications for underwriting came from a variety of industries such as cement, glass, pottery, basic metals, basic industrial chemicals, fertilisers, textiles, rubber, etc.

As in the case of applications for underwriting, requests for guaranteeing deferred payments to the suppliers of foreign machinery also showed a significant increase over the figures for the previous year. The Corporation received 14 applications for an aggregate amount of Rs. 18.61 crores against 5 applications for Rs. 3.72 crores in the year 1959-60 and approved 9 such proposals to the extent of Rs. 13.29 crores. This brings the total number of proposals approved to 20 and the total amount to Rs. 25.47 crores.

Comfortable Resources Position

It has been our practice to carry out regular inspections of the concerns financed by us and to obtain periodical progress reports from them. These inspections and reports, I am glad to say, show that most of the concerns have done well in the quantum of production as well as sales during the year. Many of them earned sizable profits and were, with our prior approval, able to declare dividends in excess of 8% (subject to tax), which is our standard limit. An overwhelming majority of our borrower concerns met their obligations to us promptly in the course of the year. There has been a further improvement in the position regarding defaults in the repayment of principal and in the payment of interest. The percentage of defaults in the repayment of principal has declined from 4.3% in 1960 to 2.34% in 1961, while that in regard to interest has come down from 1.2% to 0.25%. The industrial review which we have given in an appendix to our Annual Report will give an idea of the progress made by the various industries to which we have advanced loans and it is a matter of satisfaction to us that they have contributed significantly in the rapid industrial progress made by the country.

The resources position of the Corporation during the year in re-

gard to rupee finance was quite comfortable and we were able to meet the commitments for disbursement of sanctioned loans largely from our own resources supplemented by a net additional loan of Rs. 2 crores from the Central Government. In view of this we did not have to enter the market during the year for fresh issue of Bonds; but, as and when money market conditions justify our doing so, we shall go in for fresh issues of Bonds in order that we may be able to meet the demands likely to be made on us during the Third Five Year Plan period. We are also assured of further loans from the Central Government for meeting a part of our requirements during this period. In addition your Board of Directors have under their active consideration the issue of further share capital of Rs 2 crores by the Corporation, carrying a minimum guaranteed dividend of 4% per annum for which the approval of the Central Government has been obtained. This will enable the Corporation to broad-base its capital structure and increase its borrowing powers in terms of Section 21 of the Industrial Finance Corporation Act, in order to meet the growing demands of industry for capital. Having regard to the progress achieved by the Corporation during the last 13 years of its working, I have no doubt that we can count upon your generous support when the issue comes in the market. While we have tried to ensure that the shareholders get an adequate return by way of dividend on the new issue, the question of enhancing the existing rate of dividend on the present paid-up capital will need an amendment to the I.F.C. Act. The Corporation is in correspondence on this subject with the Central Government.

In December last, Parliament enacted a bill incorporating certain amendments to the Industrial Finance Corporation Act, for which there was a pressing need in view of the changed conditions including the growing activities of the Corporation. These amendments now enable the Corporation to guarantee (a) deferred payments to machinery suppliers both within and outside India, (b) loans raised by industrial concerns from scheduled banks or State Co-operative Banks, and (c) loans raised and credit arrange-

ments made in foreign currency by industrial concerns with any bank or financial institution outside India. The Corporation has also been empowered to subscribe directly to the stocks and shares of industrial concerns as also to convert at its option the loans granted or debentures subscribed to by it into stocks or shares. These are useful facilities which have been eagerly sought for by industrial concerns and we have already, in one case, agreed to guarantee a loan of Rs. 1.47 crores in foreign currency. Another amendment of which I might make a specific mention is the deletion of the provision in Section 24 of the Act which required a guarantee of the Central Government in respect of accommodation by the Corporation exceeding rupees one crore to all individual concern. Since in all such cases the Corporation carefully examines the profitability of the project and the security available, the guarantee of the Central Government was hardly necessary. After the amendment, the Corporation is, however, required to obtain the prior approval of the Central Government before sanctioning the accommodation. This gives adequate opportunity to Government to scrutinise the merits of the proposal before any commitment is entered into by the Corporation.

Tax Relief

As you are probably aware the Finance Bill introduced in the last Budget included an amendment to the Income Tax Act which gives us a welcome relief. The new clause (xiva) of Section 10 (2) of the Indian Income Tax Act provides that financial corporations which are engaged in providing long-term finance for industrial development and have been approved by the Central Government can claim rebate in Income-tax in respect of amounts not exceeding 10% of the total income of each year which are transferred to a special reserve fund, so long as the aggregate of the amounts so transferred does not exceed the paid-up share capital of the institutions concerned. I am glad to say that this Corporation has been approved by the Central Government for the purpose of this concession, and we have been permitted this rebate in respect of our accounting year ended the 30th June, 1960, the assessment in regard to

which has been very recently completed. We have, as a result, got a relief of nearly Rs 5 lacs in our assessment and we expect to be able to get somewhat larger relief in respect of the assessment for the accounting year 1960-61.

Our relations with the various Chambers of Commerce and with our loanee concerns continue to be cordial. We have, during the year, nominated more non-officials on the Boards of our loanee concerns and I wish to thank them on behalf of our Board of Directors for the keen interest they have taken in the work.

Shri K. R. K. Menon who held the office of the Chairman of the Corporation since 18th September, 1955 with distinction and was largely responsible for the great strides made by the Corporation in the last six years proceeded on leave with effect from the 1st July, 1961 preparatory to the expiry of his tenure of office. On behalf of the Board of Directors, I should like to express our high appreciation of the valuable services rendered by him to the Corporation.

It is with profound regret that I have to report to you the sad demise of Shri H. V. Venkatasubbiah, who was the General Manager of the Corporation for about five and half years and who rendered valuable service to the Corporation. He has been succeeded by Shri D. R. Madhok, Secretary of the Corporation.

Before I conclude, you will, I am sure, wish to join me in expressing our warm appreciation of the co-operation and assistance made available to us by the Development Loan Fund and its officials. You would also like me to convey our sincere thanks to the members of our five Advisory Committees—non-officials and officials—for the very able and effective assistance they have rendered to the Corporation. I should also like to thank my colleagues on the Board for their very valuable co-operation and wise counsels, and their generous response to the many calls made on their time. In this connection I should like to make a special reference to our two directors, Shri S. V. Ramamurty and Shri S. C. Roy, who have been

on the Board of Directors for two full consecutive terms and are due to retire this year. Finally, I have great pleasure in conveying the thanks of the Board of Directors, as well as my own, to the General Manager and the entire staff of the Corporation for another year of loyal and devoted work on their part.

Manufacture of Special Steels

A FURTHER capacity of 1,20,000 tons for the manufacture of tool and alloy steel in the private sector has been licensed by the Government of India. The capacity already existing or licensed by March this year is about 10,000 tons. For purposes of planning additional capacity estimates of

requirements have been made only of alloy steel sections with a minimum of chromium, nickel, molybdenum and other alloying elements which require specialist plant. The country's requirements of such steels by the end of the Third Plan have been estimated at 2,00,000 tons.



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Around Bombay Markets

Weather Dominates Cotton Market

Thursday, Morning

WEATHER continues to dominate the cotton market. Cotton futures last week moved both ways but recorded sizable improvement over the week. Jarilla March which had eased from Rs 631 to Rs 620.75 between October 4 and 7 rose to a new high of Rs 633 on October 11 before closing a little lower at Rs 631.50 per 3 quintals the same day. Earlier setback was essentially in the nature of a technical correction of the preceding steep rise but sentiment was also affected by reports of bright sunshine from certain important cotton producing areas which had long been complaining of unseasonal rains. Crop ideas began to be revised with the favourable turn in the weather and there came about a sudden change in trading sentiment, both in futures and ready markets. In ready, mills suddenly withdrew from the market while sellers reappeared on the scene though prices did not record any noticeable setback. Most varieties were still quoted almost around the ceiling rates with the difference that new sellers were more eager than buyers.

But the reactionary trend did not last long. Weather took an unfavourable turn again. Berar, Khamgaon and Moglai tracts reported heavy rains. Vidarbha was the worst hit. Between 9th and 11th October futures shot up from Rs 622.50 to Rs 633. Shorts rushed for a cover and bulls hurriedly replaced their purchases. In the ready market also sellers quickly withdrew from the field and mills were again in the market to pick up any good lot that was offered them. Recent rains seem to have cast a gloom over the market.

It looks as if the trade is going to have a difficult time in the current season. Cotton prices might well keep close to the ceiling if weather conditions do not improve quickly. Traders are reluctant to express an opinion about the crop but few expect the crop to exceed 48 lakh bales against 53.95 lakhs in the previous season. The movement of the crop is also likely to be delayed by three to four weeks

and the renewed wet spell has caused considerable anxiety about the quality of the crop.

Not much progress has yet been made in regard to export business in Bengal Deshi. Sales registered to-date are placed around 30,000 bales. With the overseas off-take continuing to be slack and new crop arrivals gathering momentum, the prices of Deshi cotton have suffered a sizable setback recently. Bengal fine which had not seen a rate below Rs 60.50 per Bengal maund in 1960-61 is currently quoted around Rs 57. Estimates about the Deshi crop this season range between 4 lakhs and 4.50 lakh bales.

What Does Cotton Target Mean?

Presiding over the last annual meeting of the Indian Central Cotton Committee, Shri V Shankar, Vice-President of the Indian Council of Agricultural Research and Special Secretary to the Union Ministry of Food and Agriculture recounted with considerable satisfaction the achievements during the 1960-61 cotton season. It was a period when new records were established, said Shri Shankar. The cotton crop at 53.95 lakh bales was a record since the partition of the country. The yield per acre of lint cotton at around 111 lbs was another achievement. The production of long staple cotton reached a new peak of 24.4 lakh bales, against 18.6 lakh bales in the 1959-60. It was significant, said Shri Shankar, that the year in which these records were established was the final year of the second Plan. But far more significant is the fact that the crop in the fourth year of the Plan was a virtual failure around 37.5 lakh bales and the crop in the 1961-62 season is unlikely to exceed 48/49 lakh bales. Wide fluctuations in cotton production from year to year clearly demonstrate that notwithstanding increased irrigation facilities, improved supply of better seed and fertilisers and pest control measures, cultivation of cotton is still essentially a gamble in rains. Plan targets do not really have much meaning.

Government's decision to declare in future the cotton price policy as early in the season as possible is welcome because there is no sense in announcing the price policy when sowings have been completed. But the early announcement of a price policy cannot by itself bring about any increase in production. The steady decline in the acreage under cotton cultivation over the past few years suggests that the production of cotton is less remunerative than that of other crops. And not until the position in this regard is rectified can one expect any appreciable improvement in output. Of course increase in production will have to be brought about mainly by intensive cultivation. The sub-committee on the control of pests and diseases is of the view that the control of pests and diseases can reduce the loss of 7 to 10 lakh bales of cotton per annum. This underlines the need for a well-coordinated programme for production and distribution of pesticides along with the education of the farmers in the ways and means of controlling these various pests and diseases.

Oilseeds

Irregular Tendency

IT was a rather unexciting week for the oilseeds market. Fluctuations were somewhat erratic but generally confined to a narrow range. Wednesday's closing prices showed fractional gains over the previous week-end levels. After easing from Rs 198.37 to Rs 196.87—a new low for the season—groundnut January recovered to Rs 201 but drifted lower again to Rs 197.50 before winding up the week at Rs 199. Groundnut oil January moved between Rs 15.90 and Rs 16.35 and Wednesday's closing rate of Rs 16.15 showed a net gain of 15 nP per 10 kgs over the week. Castor March fluctuated between Rs 159 and Rs 157.50 most of the time and linseed March moved irregularly between Rs 35.37 and Rs 35.87 per 50 kgs. After easing from Rs 93.50 to Rs 92 cottonseed January recovered sharply to Rs 94.50.

The market's tune was generally set by groundnut futures. Technical considerations induced short covering and some replacement buying at lower levels but the rallies that followed could not be sustained for want of adequate follow-up support because of the excellent crop reports. Unlike for cotton, weather has continued to be favourable for groundnut and the recent rains are not expected to do any damage to the crop; only the movement is likely to be delayed by a few weeks. Prospects of a delay in the crop movement have resulted in revival of inquiry for the spot material, seed as well as oil. Spot groundnut, Bold variety, is quoted about Rs 14 per 250 kgs above the futures quotation.

Export Policy Delay — Why?

In view of the excellent crop reports, estimates about the groundnut crop range between 28 lakh tons and 31 lakh tons, the trade is very much intrigued by the delay in the announcement of export policy for groundnut oil, groundnut HPS and groundnut expellers. While there have been reports that the export of groundnut oil might be channelised through the State Trading Corporation, very little has been heard about the policy for HPS groundnut and expellers. The delay in the announcement of export policy for groundnut H P S, oil and expellers reflects poorly on the Government's 'export or perish' slogan, particularly when the groundnut crop this season is known to be substantially larger than last year. Inquiries in the trade indicate that it might not be difficult to sell sizable quantities of groundnut oil to Burma, not without incentives of course. It would be unfortunate if the opportunity were to be lost by the Government's indecision about its export policy. Who sells—the State Trading Corporation or the private trade—does not really matter. The country must push exports to earn the badly needed foreign exchange.

Export houses reported moderate business in groundnut extractions which was mainly due to the revival of Polish buying. Poland was said to have purchased 6,000 to 8,000 tons of extractions. December shipment, during the week. Business with the U K was limited and inquiries were restricted to near

positions. Overseas buyers evinced poor interest in distant positions, presumably due to prospects of large supplies as a result of increased crushing after November. Polish buying induced a slightly hardening tendency in extraction prices last week. Overseas quotations were also a little steadier. The U K was reported a buyer of extractions at £29.10 for October shipment and at around £27.10 for January-March. Most observers expect foreign prices for distant positions to ease in the near future because of the likely increase in offerings from India when groundnut crushing gets into full swing. Hardly any export business was reported during the week in castor oil or linseed cake. The U K quotation for castor oil Commercial was mentioned around £111/112 per ton near the week-end, and linseed cake was reported around £31.

Stock Exchange

Equities React near Week-end

THE upward trend in equities which had been in evidence since the end of August made further progress last week. Gains were widespread; even the long-neglected Scindia and Premier Automobiles attracted considerable attention and recorded sizable improvement. Turnover was satisfactory though activity was continued to be predominantly professional. Dalal Street continued to be in good temper despite the absence of any message of cheer from Calcutta. Last week's rise took Vyapar's equity share index to 143.87 on 10th October, which is the highest point since 19th July. Between 29th August and 10th October, the index has recovered nearly 58 per cent of the ground lost since 7th June when the index was at its year's best of 150.83.

Near the week-end, however, the market developed an easier tendency and Vyapar's index receded to 142.18 and closed at 142.44 which, however, is 1.28 higher than a week ago. The reactionary feeling at the week-end suggests that the market might pause here for a while to digest its recent gains. Indeed, a technical reaction would be welcome because the preceding rise has been really impressive. Though carry forward charges at the end of last settlement on 7th October were quite normal.

substantial short covering over the past two weeks would seem to have weakened the market's technical position. The lock-out at Hindustan Motors might provide the excuse the market may need to start the process of technical adjustment. But one can never be too sure of a minor trend which is perhaps all one might expect at the moment.

Shareholders of Tata Chemicals are reported to have protested to the management against the proposal to issue new equity shares at a premium of Rs 2.50 a share in the ratio of one share for every five held. The shareholders rightly argue that the company's dividend record is far from encouraging and the book value of the share works out to below Rs 12. The shareholders are intrigued that the company should have decided to issue shares at a premium on its own. It would be different if the Government were to insist on the premium. The possibility of the terms of the right issue being modified cannot be ruled out.

Bullion

Dull Trading

TRADING in bullion futures last week was quite a dull affair. The price pattern was mixed. While gold recorded a small rise over the week, silver suffered a modest setback. After easing from Rs 125.50 to Rs 124.80 gold Magsar delivery improved gradually to Rs 126.25 but receded to close at Rs 125.80 on Wednesday. The steadier tendency was attributed to reduced flow of smuggled gold and satisfactory off-take. Spot gold continued to be quoted at a discount of 75 nP per 10 grams below the quotation for Magsar settlement. Silver Magsar was marked down from Rs 207.10 to Rs 206.15, recovered to Rs 207.35 but drifted lower again to Rs 206.80 per kilo. Spot silver was quoted about a rupee lower throughout the week. The comparatively subdued tendency in silver was attributed to increased arrivals of "kutchi" metal and poor off-take. In view of the heavy damage caused by floods in Bihar and Madhya Pradesh which are known to be important consumers of silver, few observers expect any marked and sustained improvement in silver prices in the near future.

Company Notes

HINDUSTAN ELECTRIC — BROWN BOVERI COLLABORATION

THE sustained investment in Hindustan Electric Co Ltd during the last few weeks, which raised these shares from Rs 101 to Rs 175, does not seem to be unjustified in view of the bright outlook for the company. It has just finalised arrangements with the well-known Swiss firm, Brown Boveri and Co Ltd (B B C), for technical and financial collaboration in its expansion plans and these have been approved by the Government of India. The company has been licensed to undertake substantial expansion of its three works at Faridabad, Howrah and Baroda.

Under the expansion programme, the company's Faridabad works will undertake manufacture of A C and D C generators, A C and D C motors of special types and welding sets. The Howrah works will be expanded to take up manufacture of transformers of all types up to 25,000 kVA and 220 kV, while the Baroda works will produce high tension and medium tension air blast circuit breakers up to 220,000 volts, low voltage circuit breakers, high tension and low tension switch boards, electric furnaces of all types etc. The company's factory in U P to manufacture A C S R and all-aluminium cables is under construction.

The total capital outlay on the expansion project is estimated at between Rs 2 crores and Rs 3 crores. It is not the intention of the company to raise all the additional capital at present because the whole programme will be spread over a period of three years and it does not want to have large idle capital. For the present, it is proposed to issue only Rs 80 lakhs of equity capital, raising the total paid-up capital from Rs 60 lakhs to Rs 1.40 crores, of which the equity capital will account for Rs 1.20 crores. Further capital will be issued as and when the schemes are implemented.

Of the proposed issue of Rs 80 lakhs, the Swiss collaborator will be allotted Rs 60 lakhs and the balance of Rs 20 lakhs will be offered to the existing shareholders as well as to the public. The Government of India, it appears, has asked the company to offer the entire Rs 20 lakhs to the public, but the com-

pany cannot do so over-looking the rights of the existing shareholders. In order, however, to meet the Government's wishes as far as possible, efforts are being made to persuade the existing shareholders to renounce their rights. The directors have agreed to give up their rights. To the extent the rights of the existing shareholders, including the directors, are renounced, the new shares will be offered to the public.

The existing paid-up capital of the company is Rs 60 lakhs, made up of an equity capital of Rs 40 lakhs and a preference capital of Rs 20 lakhs.

Brown Boveri and Co, Ltd is one of the largest manufacturers of electrical and mechanical goods in the world. It has manufacturing works in Germany, Italy, France, Austria, Norway, Canada, U S A and Brazil, besides a number of associates in several other countries.

Shri Dharamsingh D Desai will continue to be the Chairman and Chief Executive of the company. He will be assisted by European personnel, but Indian personnel in sufficient numbers will be trained as early as possible to take over managerial posts in the company. Besides making available its own technicians, the Swiss firm will train a large number of Indian technicians in Switzerland.

Marked Rise in Air-India's Profits

THE introduction of the Boeings during the year ended March 1961 has paid rich dividends for Air-India International, though the traffic capacity offered could not be utilised to the same extent as in previous years, resulting in a fall in overall load factor. There was an improvement in productivity and a reduction in cost per unit, with the result that the operating profit recorded a substantial increase, even after writing off a sizably larger pre-operational and development expenditure and providing larger depreciation.

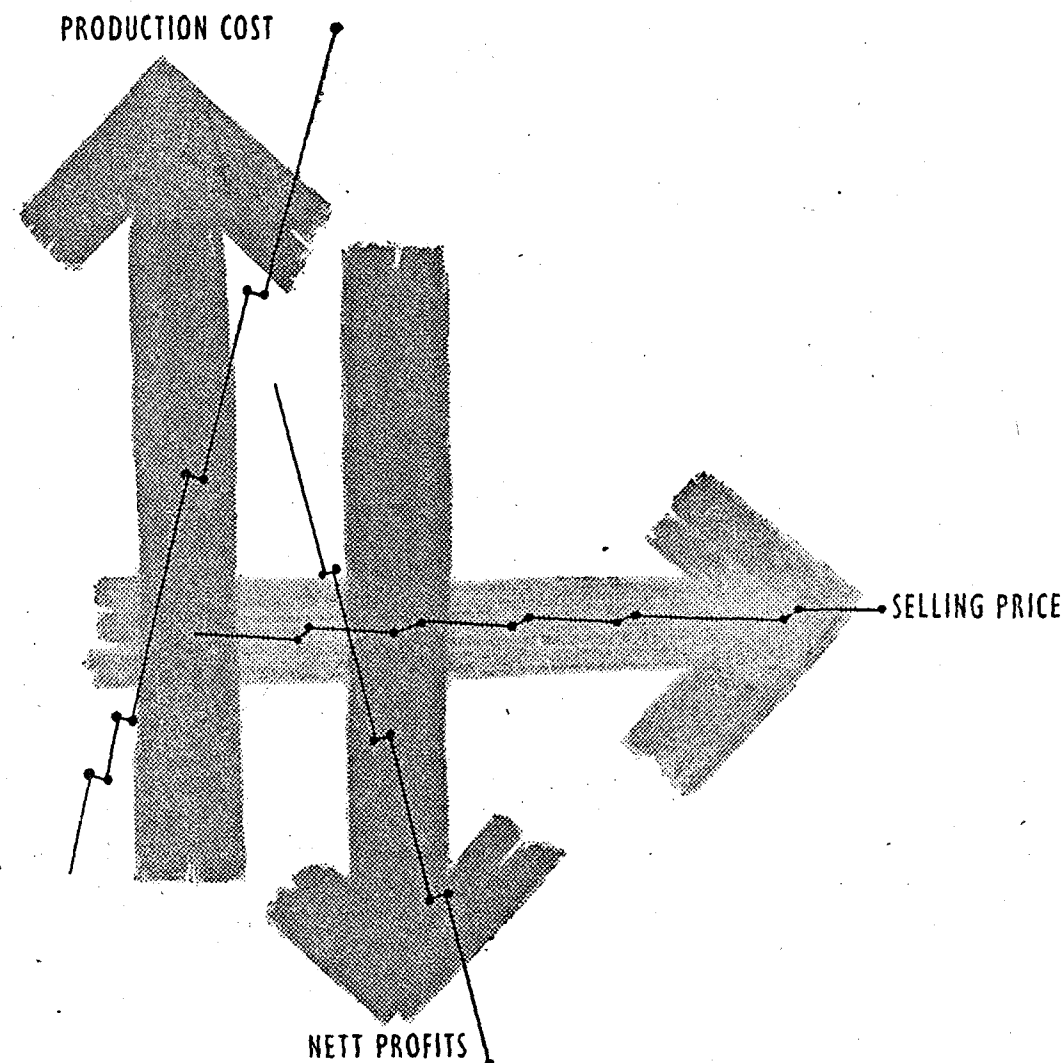
The total capacity offered increased by 72.7 per cent from 93.49 million Available Tonne-kilo. metres in 1959-60 to 161.45 Available Tonne kms in the year under review. The actual traffic carried did not, how-

ever, keep pace with this increase; it rose by only 41.2 per cent from 54.24 million Revenue Tonne kilometres to 76.56 RTkms. This resulted in a reduction in the overall load factor from 58.2 per cent to 47.3 per cent. The operating revenue for 1960-61 at Rs 19.17 crores recorded an increase of Rs 6.59 crores over the previous year. This worked out to Rs 1.19 per A T km against Rs 1.35 per A T km.

With the expansion in the quantum of operations with the jets, the aggregate operating expense for the year increased by 45.1 per cent, from Rs 12.40 crores to Rs 18 crores, as a result of the increase in staff and the additional burden of revision of pay-scales for the bulk of the staff, but the cost per unit dropped from Rs 1.33 in 1959-60 to Rs 1.13 in 1960-61. The productivity of the Corporation's staff and labour rose from 20,340 A T kms per employee to 30,688 A T kms, as a result of the introduction of the Boeings, despite the increase in staff to meet the requirements of the Boeing operations, and expansion of the services to the U S A.

The net operating profit amounted to Rs 117.41 lakhs, representing a marked increase from Rs 18.26 lakhs earned in 1959-60, after writing off Rs 23.90 lakhs (against Rs 2.34 lakhs) as pre-operational and development expenditure and providing Rs 212.81 lakhs for depreciation (against Rs 124.46 lakhs). A sum of Rs 17.47 lakhs has been provided out of the net operating profit for previous year's arrears of staff salaries due to arbitration award and Rs 31.97 lakhs for net non-operating expenses against a net revenue of Rs 8.72 lakhs in the previous year. Out of the net disposable surplus of Rs 33 lakhs available, the amount utilised to write off development expenditure is Rs 32.80 lakhs (against Rs 13.20 lakhs), general reserve gets Rs 6.50 lakhs (nil), equipment renewals reserve Rs 4.25 lakhs (nil) and insurance fund Rs 32.90 lakhs (nil), leaving a surplus of Rs 6.54 lakhs against Rs 15.03 lakhs brought in.

The AII repaid during the year under review Rs 1.60 crores (\$ 3.36 million) to commercial banks in the U S A towards their loan of Rs 5.33 crores (\$ 11.20 million)



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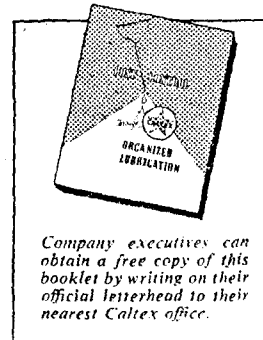
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for financing the dollar cost of the first three Boeings. At the same time, it obtained a supplementary loan from these banks of \$1.204 million (Rs 57.31 lakhs) at 6 per cent to cover 20 per cent of the dollar content of the cost of the fourth Boeing. The balance of the dollar content and sterling content as well as the rupee part was provided by the Government of India. The Corporation proposes to add two more Boeings at a cost of Rs 8 crores. A loan of \$2.4 million (Rs 114.24 lakhs) representing 20 per cent of the dollar content has been negotiated. The balance of foreign exchange and rupee part will be provided by the Government of India. The Boeings are scheduled to be delivered in March/April 1962.

The prospects for the current year appear to be dim. The Corporation is facing particularly difficult conditions, which may not be wholly compensated by the advantages accruing from its partnership arrangements with B O A C and Qantas. While little or no profit is expected to accrue in the year 1961-62, the directors have every reason to believe that, through the joint efforts of the three partners, they will be able to secure the maximum share of the total traffic available. They, therefore, continue to view the future with sober confidence, as they feel that there is a large spare capacity available today on most of the world's air routes which offers an excellent opportunity for enlarging the traffic potential through the introduction of a more attractive fare structure.

L I C's Business Up

WHILE the Life Insurance Corporation wrote more business in 1960 and expanded its life fund more than in the previous year, it should take note of the fact that the pace of increase in new business has slackened considerably during the year. The new business written amounted to Rs 497.54 crores, compared to Rs 429.17 lakhs in 1959, thus recording an increase of Rs 68.37 crores. The rise in business in 1959, on the other hand, was of the order of Rs 84.49 crores. The business done outside India shows only a nominal expansion at Rs 9.70 crores, after a sharp rise to Rs 9.47 crores in 1959 from Rs 5.62 crores in 1958.

The number of policies in India which had risen from 9,54,771 in 1958 to 11,43,387 in the following year, has gone up further to 12,49,821 in 1960. The average sum assured per policy was Rs 3,903 against Rs 3,671 in 1959 and Rs 3,551 in 1958. The average sum assured per policy abroad, which had risen from Rs 10,409 in 1958 to Rs 11,969 in 1959, moved up to only Rs 12,539 in 1960.

The total business in force at the end of 1960 was Rs 2,285 crores covering 77.13 lakh policies, compared to Rs 1,958 crores under 69.29 lakh policies at the close of 1959. The net increase in business since the nationalisation of life insurance is Rs 1,065 crores, of which business in India accounts for Rs 1,048 crores. This expansion in Indian business compares favourably with the Rs 380 crores added by the private companies during the previous five years.

The lapse ratio continues to show an upward trend. After a decline from 9.1 per cent in 1956 to 5.1 per cent in 1958, the ratio rose to 6.0 per cent in 1959 and to 6.6 per cent in 1960. The increase in 1960 is attributed to "an increase in lapses and fall in revivals, the former being due to rapid expansion of new business and the latter due to inflationary pressures".

The overall expense ratio shows a favourable trend, though the decline is not marked. It is explained that the expense ratio would have been lower but for the ad hoc increase in dearness allowance granted with effect from April 1 1960. The total amount paid under this head works out to 0.61 per cent of the renewal premium income during 1960.

The premium shows a rise of Rs 12.43 crores to Rs 96.59 crores. The net overall income of Rs 116.45 crores represents an excess of Rs 54.18 crores over the outgo (Rs 62.27 crores). Together with the transfers and additions to the opening life fund and old unclaimed amounts, the total addition to the life fund is Rs 65.09 crores, against Rs 47 crores in 1959. This brings the total life fund at the end of the year to Rs 560 crores, representing 89.97 per cent of the total fund. Compared to the position in 1950, when the life fund of all the private

companies had stood at Rs 225 crores, it shows an increase of Rs 335 crores, of which the increase since nationalisation alone amounts to Rs 207 crores.

Imperial Tobacco

FROM a selling organisation with an outlay of Rs 25 lakhs and turnover of just over Rs 40 lakhs to the owner of five cigarette factories and two printing factories with a capital of over Rs 15 crores and a turnover of Rs 42 crores. Such is the growth of Imperial Tobacco in the last fifty years and it is no small achievement.

In the initial years the company's management staff was mainly drawn from abroad, but now four-fifths of the staff are Indian nationals. Except for one or two specialised items, all the raw materials required by the company are procured inside India, though of late the company is faced with the problem of getting good quality tobacco. In fact, the Chairman, Mr F A Collett, has warned that this situation cannot continue long without jeopardising India's extremely valuable export trade in this commodity.

Besides the raw material problem, the company is burdened with excise duty and increasing cost of labour, raw materials and freight and Mr Collett again cautions that the company cannot continue to absorb this if the increases in various items of cost outstrip the increase in productivity.

The Chairman is, nevertheless, confident that if there are no further increases in tobacco duties, there is every hope that the company would be able to expand its business. Provided rising costs do not outpace the increase in turnover, the company can therefore, look forward to the future with moderate optimism. Mr Collett bases his optimism mainly on the vast scope for increasing the per capita consumption of cigarettes in the country.

Jay Engineering Export Plans

THE establishment of a new unit at Hyderabad for the manufacture of 3 lakh sewing machines per annum for which licence has been obtained and the setting up of manufacturing and assembly plants in foreign countries promise a bright future for Jay Engineering Works Ltd. The company has already

established a good market for its fans and Sewing machines in industrially advanced countries like U.K., U.S.A., West Germany, France, Australia, etc. The bulk of its exports is, however, still to underdeveloped countries. These countries naturally like to build up indigenous manufacturing units. Also, the foreign exchange shortage faced by these countries and the severe international competition limit expansion of exports and make even their maintenance at present levels difficult.

It is just as well that Jay Engineering has thought fit to reorient its export policy. As Lala Charat Ram, the Chairman, states in his address to the shareholders, the company plans to develop further its exports to developed countries in three ways. First, it proposes to improve the quality of its products and make them more competitive. Second, it proposes to start assembly and progressive manufacture of its products in countries which want to set up their own industries. It is planning to put up a unit in Ceylon. Similar units are also proposed to be set up in Burma, Pakistan, Thailand, etc. Third, it proposes to help industrial units in other countries by giving technical assistance. Such an arrangement has already come into operation in South Viet Nam and negotiations are going on with Iraq, Egypt and Yugoslavia.

ALIND May Raise Capital

SHRI S Narayanaswamy, Chairman, has indicated that Aluminium Industries Ltd may raise additional capital shortly. When it obtains the import licences for the third rod rolling unit and the "Solidal" underground cable project, the company will be faced with the problem of resources to set up these new units. The Chairman is of the view that it would be unwise to make too frugal estimates of project requirements that might ultimately prove self-defeating. He has, however, assured that in tackling the resources problem the interests of the shareholders will be kept in mind.

The company's covered conductor unit at Hyderabad will be commissioned before the end of the current financial year. The Kundara and Hirakud factories are working to

capacity. The installation of the high tensile steel core wire factory with Japanese collaboration is in its final stages and will be commissioned before the end of December. The company holds an industrial licence for the manufacture of "Solidal" underground cable, but licence has yet to be received for import of the necessary materials, etc.

Tata Chem Raises Dividend

THE recommendation of the Tata Chemicals' directors to raise the distribution on the ordinary shares for the year to June 1961 from 60 nP to 65 nP per share may not have satisfied many of the shareholders, but the preliminary results for the year indicate that the increase of 5 nP is the maximum that can be paid out of the year's earnings without having to dip into the reserves, as was done last year. It must be noted that the distribution is on the old and new shares, but the entire 65 nP on the new shares does not come out of the current profit. As in the previous year, as much as 40 nP is being paid out of capital at 4 per cent. In other words, but for the fact that the company is permitted to pay out of the capital a part of the dividend, the company would not be in a position to pay the proposed dividend on the old and new shares out of the current earnings. It should also be borne in mind that the entire disposable profit is be-

ing distributed to the shareholders without ploughing back anything to the general reserve.

The company's profit, after providing for managing agents' commission and depreciation, has risen from Rs 27.36 lakhs to Rs 34 lakhs. No provision has been made for taxation, for which a sum of Rs 1.05 lakhs was set aside last year. The transfer to the development rebate reserve has been raised from Rs 14.35 lakhs to Rs 17.40 lakhs. The profit available for distribution including the surplus brought in from last year is Rs 16.75 lakhs, against Rs 12.05 lakhs last year. Out of this, the proposed dividend on ordinary shares, as well as on the preference shares will absorb Rs 16.71 lakhs, against Rs 14.39 lakhs. The distribution out of capital on the new shares amounts to Rs 4.48 lakhs.

The company proposes to raise additional capital to finance its expansion plans. Subject to the consent of the CCI, it will issue new ordinary shares of Rs 10 each at a premium of Rs 2.50 per share in the ratio of one for five. This will bring additional finance to the tune of Rs 63 lakhs, including the premium of Rs 12.60 lakhs. It is also proposed to issue debentures of the value of Rs 50 lakhs carrying interest at 6½ per cent (taxable) and repayable in 1970-75.

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Head Office : CALCUTTA

PAID-UP CAPITAL
Rs. 2,00,00,000

RESERVE FUND
Rs. 2,05,00,000

OUR

RECURRING DEPOSIT SCHEME

REGULAR MONTHLY DEPOSIT

OF	Rs. 10	Rs. 100	Rs. 500
Will grow to :			
in 46 Months.	Rs. 500	Rs. 5000	Rs. 25000
in 86 Months.	Rs. 1000	Rs. 10000	Rs. 50000

Chairman :
G. D. BIRLA

General Manager :
S. T. SADASIVAN

BANKING RETURNS

		(Rs crores)			
Reserve Bank		Oct 6	Sept 29	Sept 8	Oct 7 '60
1 Note circulation		1891.49	1857.24	1898.86	1810.91
2 Rupee coin		126.15	128.61	124.61	130.62
3 Deposits		291.47	307.12	330.58	258.16
(a) Central Govt		65.15	59.46	63.50	55.34
(b) Other Govts		4.68	22.49	31.95	11.25
(c) Banks		72.47	78.47	75.85	105.61
(d) Others		149.17	146.69	159.28	85.96
4 Foreign securities		116.86	116.86	116.86	123.01
5 Balance abroad		13.60	12.87	18.73	17.79
6 Rupee securities		1548.80	1528.80	1548.57	1451.74
7 Investments		191.59	231.24	261.16	186.94
8 Loans and advances to Govts		57.04	49.36	48.11	39.19
9 Other loans and advances		139.14	133.33	134.75	127.75
Scheduled Banks		Sept 29	Sept 22	Sept 1	Sept 30, '60
1 Aggregate liabilities		1877.71	1872.32	1885.20	1918.20
2 Aggregate deposits (net)		1801.10	1796.52	1810.04	—
Demand (net)		721.53	718.75	720.35	756.89*
Time (net)		1079.57	1077.77	1089.69	1161.31†
3 Cash in hand		43.48	44.49	45.16	46.75
4 Balance with Reserve Bank		73.20	77.41	94.00	107.01
5 (3) + (4) as % of (1)		6.21	6.51	7.38	8.02
6 Borrowings from Reserve Bank		11.07	15.62	1.55	33.44
(a) Against usance bills and/or promissory notes		5.35	9.51	0.36	9.28
(b) Others		5.73	6.12	1.19	24.16
7 Advances		1050.14	1060.89	1067.18	986.93
(a) State Bank		231.46	232.00	223.68	210.88
(b) Others		818.68	828.89	843.50	776.05
8 Bills discounted		124.58	117.49	107.43	99.14
(a) Inland		46.01	45.70	45.33	49.75
(b) Foreign		170.59	163.19	152.76	148.89
(c) Total		11.01	11.59	12.78	8.17
(i) State Bank		159.58	151.60	139.98	140.72
(ii) Others		65.01	65.38	64.71	59.21
9 (7) + (8c) as % of (1)		65.01	65.38	64.71	59.21
10 Investment in Govt securities		617.84	607.28	607.84	722.54
(a) State Bank		261.29	250.27	261.27	359.63
(b) Others		356.55	357.01	346.57	362.91
11 (10) as % of (1)		32.90	32.43	32.24	37.67
Cheque clearance		214.22	229.50	187.94	127.16

* Corresponds to total 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 cent per annum)			
		(Selected Scheduled Banks other than the State Bank)			
		Sept 29	Sept 22	Sept 1	Sept 30 '60
Call Money					
from banks		3.83	4.81	2.00	3.51
Deposits :					
Seven days		3.00	3.00	3.00	2.90
Three months		—	—	3.50	3.50
Six months		3.75	3.75	3.75	3.50

INDEX NUMBER OF WHOLESALE PRICES

	(Base : 1952-53 = 100)			
	WEEK ENDED			
	23.9.61	16.9.61	26.8.61	24.9.60
Food Articles	120.5	120.9	124.2	123.9
Cereals	103.0	103.4	104.9	108.2
Pulses	88.9	89.3	89.9	94.3
Fruits & Vegetables	145.5	143.4	165.5	110.2
Milk & Ghee	116.0	119.1	115.4	127.2
Edible oils	154.2	152.9	158.4	151.0
Fish, Eggs & Meat	133.3	137.2	142.1	124.2
Sugar & Gur	123.3	124.5	123.8	136.7
Others	171.5	169.0	185.7	171.6
Liquor & Tobacco	99.5	99.5	100.0	105.5
Tobacco	96.0	96.0	96.6	103.7
Fuel, Power, Light & Lubricants	121.5	121.5	121.6	119.3
Industrial Raw Materials	138.3	138.2	138.8	140.8
Fibres	129.3	128.3	121.9	143.0
Oilseeds	155.1	156.1	163.9	148.5
Minerals	94.8	94.8	94.8	98.2
Others	126.4	126.5	126.6	125.1
Manufactures	125.3	125.3	124.7	122.8
Intermediate Products	140.0	140.7	141.0	130.0
Finished Products	122.8	122.7	122.1	121.6
Textiles	123.3	123.2	122.1	123.9
Cotton	127.9	127.9	127.5	131.4
Jute	113.8	113.7	110.2	116.6
Woollen	123.1	123.1	123.1	110.1
Silk & Rayon	118.6	118.6	118.0	100.8
Metal products	147.1	147.1	147.1	146.8
Chemicals	112.0	112.0	112.0	105.8
Oil cakes	144.2	141.5	146.1	139.1
Machinery & Transport Equipment	113.5	113.5	112.8	112.0
Others	121.3	121.3	120.9	115.8
All Commodities	124.2	124.4	126.0	125.7

INSTALLED CAPACITY OF SPINDLES AND LOOMS

As on January 1, 1961

State	(In thousands)			
	Spindles installed in the industry			
	Spinning mills	Composite mills	Total spindles	Total looms
Andhra Pradesh	144	61	205	1
Bihar	—	34	34	—
Gujarat	157	2743	2900	56
of which				
Ahmedabad city	57	2035	2092	42
Rest of State	100	708	808	14
Kerala	131	78	209	1
Madhya Pradesh	15	482	497	12
Madras	1978	1164	3142	7
Maharashtra	148	4008	4156	81
of which				
Bombay city	84	3161	3245	63
Rest of State	64	847	911	18
Mysore	141	309	450	5
Orissa	11	48	59	—
Punjab	39	91	130	2
Rajasthan	20	132	152	3
Uttar Pradesh	105	731	836	14
of which				
Kanpur	—	533	533	11
Rest of State	105	198	303	3
West Bengal	167	478	645	9
Delhi	—	169	169	4
Pondicherry	—	79	79	2
TOTAL	3056	10607	13663	198

Source : Textile Commissioner, Ministry of Commerce and Industry, Government of India.

The Economic Weekly

A Journal of Current Economic and Political Affairs

October 21, 1961

FIFTEENTH YEAR OF PUBLICATION

Volume XIII No 42

Price 50 Naye Paise



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THE ECONOMIC WEEKLY
65, Apollo Street, Fort,
Bombay.

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The Weaker Sections

THE Constitution of India does not list the right to work among the Fundamental Rights, but one of the Directive Principles of State Policy enjoins upon the State, "within the limits of its economic capacity and development to make effective provision for securing the right to work". This does not bother anybody very much, nor has its meaning been fully grasped by many people, judging from the angry comment of a knighted financial magnate that it is everyone's 'duty to work'. The worthy gentleman was genuinely puzzled by the 'right to work'. There are many like him and they are fundamentally right in a sense. No one who has pondered over the implications of guaranteeing the right to work to every able-bodied person, male or female, irrespective of religion, caste or creed, would agree to accept it as a fundamental right. Neither does the Constitution of India; it wisely limits this specious promise with adequate provisos and qualifications.

Now, no one may know for sure the state of unemployment in the country. But both the most enthusiastic supporters as well as the critics of the Plan know that the Planning Commission themselves view the prospects with grave concern and that in fact the Third Plan aims at nothing better than preventing the situation from getting any worse. Finding employment for those who will be entering the working-age-group during the next five years is the maximum they are going to attempt; if the backlog of unemployed, which runs to millions, does not increase, they would be content to call it a day.

A Study Group headed by Shri Jayaprakash Narayan constituted by the Government of India which was asked to look into the condition of the weaker sections of the rural community wants to upset the apple-cart by asking the Government "to guarantee employment to every citizen who is prepared and fit to do manual labour". It wants the Government not only to undertake this responsibility but to make a declaration to that effect. Such a guarantee and declaration, the Team feels, would work "a psychological transformation and lift up the pall of despair and discouragement that overshadows millions of Indian homes. It might indeed prove to be a spark to kindle the energies of a somnolent giant".

There is too much apathy and too little faith in the promises of Government — especially in this period before the elections — for here, a label has to make do for analysis which it never does. The appropriate remedy obviously would be to radically change that structure instead of bolstering it up with all manner of supplementary measures. About the third factor mentioned, viz, imbalance between population and resources, logic demands that either population be checked or resources be augmented. To the extent that the latter aim is achieved, the rural works programme would be a move in the right direction, provided adequate number of productive projects can be worked out.

The right to work, by Constitutional guarantee or Government notification, may not bother anybody very much. But the problem of unemployment, no doubt, does.

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There is a fairly close inter-relationship between production and employment. And the Plan proceeds to organise production and build up the industrial potential of the country in the hope, if not the confident expectation, that growth of production and expansion of economic activities generally will have the strongest manageable impact on the employment situation also. This is also the most rational approach to the problem. Not that its rationale is readily accepted by all the people. There is strong criticism against it on the ground, which is undeniable, that the planned development of the country's industrial potential and expansion of economic activity will not proceed fast enough to absorb all the unemployed. The Plans started with a heavy backlog of unemployed and this backlog, far from being reduced, has gone on increasing with every Five Year Plan.

In the circumstances, alleviation has been sought in many programmes on familiar lines. The remedies fall in three groups. (1) Subsidy to labour-intensive inefficient

production. This ranges from *ad hoc* cash subsidies by the Khadi and Village Industries Commission, for example, to preferential taxation of handlooms and more systematic protection — building up of an internal tariff wall — for small-scale industries with added refinements — where tariffs failed to protect — of quota restrictions. The most perfect example of the latter is the common production programme which is in operation piece-meal or in a complete form in the textile industry. (2) If the first can be called work-sharing, the second is the creation of work, as in village industries like Ambar Charka. (3) The third group is purely relief which has hardly any or no productive angle to it.

Now, for a country which does not have a social security system or unemployment relief and the public finances of which do not permit of such a luxury, some alternative form of social expenditure may be more than justified. Even a case can be made out for some form of work-

sharing. Some amelioration for the unemployed is better than none. The question, however, is raised from time to time, why should it not be possible to devise and put into operation saner economic policies which can turn into productive use the idle man-power of the country, which is, after all, India's largest asset? True, it is only a potential asset, and until means can be found for putting the unemployed into productive occupations, it is a liability and today the most pressing liability. There is a turning away in the Third Plan from work-sharing and deceptive employment-creation and the Planning Commission is showing welcome awareness that the preferable solution lies in releasing rural labour and directing it more and more to the creation of capital assets for the community, a process which can be set going without employing much capital or use of imported materials. This has often been talked about and the study team cannot be blamed if it has been carried away by the deceptive abundance of such schemes.

About-Turn in the Congo

THE Congo appears to have become the permanent plaything of international intrigue, the results of which reflect themselves in the bewildering changes to which the United Nations policies on the spot are subjected from time to time. One of the most violent of these changes is in evidence now, and consists of the "agreement" which the United Nations representatives in Katanga have concluded with "President" Tshombe. The whole range of circumstances surrounding the conclusion of this agreement is almost too preposterous for words. Indeed, the very presence of the United Nations in Katanga is the outcome of the fact that the U N mission had an agreement with the Leopoldville Government of Mr Adoula to "end the secession" of Katanga. The Central Congolese Government had decided at the beginning of last month that there was no alternative to subduing Mr Tshombe by force. That some such conclusion would ultimately be inescapable had been recognised many months earlier by the Security Council, when it passed its famous resolution em-

powering the United Nations mission to "use force if necessary" in the restoration of Congolese integrity. Accordingly, it was a welcome relief to note last month that the U N officers on the spot in Leopoldville threw their support behind the Adoula Government's decision to re-unite the Katanga province with the rest of the country. It was in obedience to this arrangement that the U N forces marched into Katanga and, with much loss of life on both sides, took possession of many of the key-points in Elizabethville and sent Mr Tshombe fleeing into Rhodesia.

The first signs of weakness in U N policy appeared at this stage, when Britain and some other Western powers began loudly to question the right of the United Nations to depose "a constitutionally elected" head of State, meaning Mr Tshombe, and assist in the "invasion" of his country. Britain, in raising these objections, conveniently forgot that the "State" of Katanga was a self-proclaimed one, and that the constitution which had permitted the election of Mr Tshombe to lead the Katanga pro-

vincial government was immediately afterwards repudiated by him. Britain also forgot the more material point that the sole object of the United Nations operation in the Congo was to deal with the situation which had arisen from Mr Tshombe, under the active guidance and influence of the Belgians, breaking away from the rest of the country.

All this is clear; yet Britain's diplomatic intervention at that stage served its purpose of confusing the situation beyond repair. Even Mr Hammarskjöld was persuaded to launch upon the peculiar exercise of seeking a "cease-fire" with Mr Tshombe—a fatal attempt in which he perished. Yet it occurred to no one to ask what business the U N had to arrange a cease-fire between itself and Katanga's ousted President.

What followed is, if possible, even more preposterous. Some of the key-positions held by the United Nations in Elizabethville, after much fighting and sacrifice of life, were suddenly handed back to Mr Tshombe "as a gesture of good

will". Anything more fantastic is difficult to imagine. After all, what did the U N fight the Katanga operation for? This is the questions which the Afro-Asians must instantly raise at the U N Headquarters in New York. The world must be plainly told what policy, if any, the U N mission is following in the Congo. India, with such a large commitment in the Congo operation, has a very special right to ask under what re-

solution of the United Nations has Tshombe been befriended at the cost of the Government of the Congo as a whole.

This question becomes all the more pertinent in the light of the key-clause of the U N-Tshombe agreement of last week-end. According to this clause, the U N team has recognised the "right" of Katanga to "defend" itself against any attack from "outside". In the context of the whole Congolese

trouble, this can only mean that in the event of any future attempt on the part of the Centre to end the secession of the break-away Katanga province, the U N is committed to remain neutral. If that is so, as it obviously is, what is the U N force doing in the Congo anyway? It should pack up its bags and leave the country to the wolves at whose behest it keeps on shrinking from its true mission in that unhappy country.

Expanding Indo-Ceylon Trade

TOO preoccupied with her own problems, India has during recent years tended to forget the repercussions of her various policies on the economies of her neighbours. One of our neighbours to suffer as a result has been Ceylon whose exports to this country have contracted as a result of the import restrictions which have been imposed in India in order to conserve foreign exchange. Ceylon has always run a deficit in her balance of trade with this country. The impact of Indian import restrictions has been to widen this gap, thus creating difficult problems for India's little neighbour. Ceylon's adverse balance of trade with India which amounted to Rs 10.72 crores in 1956, widened to Rs 16.23 crores in 1959. It is true that in 1960 the deficit was reduced to Rs 14.56 crores, but this was only because Ceylon, in turn, reduced her imports from India.

Whether bilateral trade pacts provide a solution to the present problem, it is not possible to say off hand. Our experience of the different bilateral pacts currently in force has been rather mixed. It is the content of such a pact, however, which would determine whether it would help to smoothen trade relations between the two countries or not. Particular attention should, therefore, be paid to this question in the current negotiations with the Ceylon Trade Delegation. During the next few months India's trade relations with a number of other countries will come in for detailed examination. The Indo-Ceylon trade pact should set the model for similar pacts to be negotiated in the future between India and these other countries.

As all these countries have launched upon planning their respective

economies to a larger or smaller extent, the widening scope for closer economic-cooperation among them would lie in some measure of co-ordination of their perspective plans. This could only be achieved over time, but it is not too early to make a beginning with a systematic study of their perspective plans with a view to eventual co-ordination of these plans and thus widening the scope of mutual economic co-operation. To talk of a Common Market

for South-East Asia or even to consider the possibility of a Free-Trade Area, may be premature at this stage, but not the search for dovetailing of trade policies and bilateral pacts or exploration of a wider horizon. Co-operation in trade between each pair of the countries concerned is a first step in that direction. The present Indo-Ceylon trade negotiations should be looked at from this wider angle.

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Weekly Notes

Raw Jute Prices

ONCE again the market forces have been allowed to determine raw jute prices, unaided by the strong hand of the Government. Late in August, when it became clear that the 1961 raw jute crop would be considerably larger than in either 1959 or 1960, Shri Nityanand Kanungo promised to announce very soon the mechanism for fixing floor prices of raw jute to ensure a fair deal to the growers. His Government was, however, amply protected by him. He made it quite clear that the fixation of floor prices bristled with difficulties. Evidently, a more intense realisation of these difficulties, some of the more important of which we had occasion to point out in these columns in the issue of September 2, has deterred the Government from pursuing its avowed objective.

Jute arrivals have been on the increase, particularly before the Pooja, as was to be expected. The cultivator must have a little cash in the festive season. Mill stocks of both raw jute and jute goods, which had been seriously depleted because of two successive short crops, have now to be replenished and mill purchase is not unsatisfactory. The Indian Jute Mills Association quickly responded to the situation, and commenced to operate on a 48-hour week from last week. Latest figures of exports are not available, but these, together with prospects of forward sales in the coming harvesting season in more than one country, must have influenced the I J M A's decision. There does not seem to be any particular cause for concern any longer in the current season, either for the raw jute producers or for the mills.

Jute prices have come down considerably from the levels that ruled this time last year. Thus the margin between the prices of raw jute and jute goods has widened and, with longer working hours, the position is likely to improve further. It is not that the jute grower has done as badly as had been apprehended. Rs 33 per maund for Assam bottoms in Calcutta is not a particularly low price, even after taking into account the interme-

diaries' margins and costs of transport.

All the hustle and activity of the Government of India in August seem to have ended in smoke and this is not the first time that the Ministry has been activated when it is too late to do anything at all. Such incidents serve only one purpose, viz, to undermine the confidence in the Government of India of both State Governments and the primary producers.

Made in India: Electric Locomotive

ON Saturday last, the first India-made electric locomotive, built at the Chittaranjan Works and christened 'Lokamanya' made its maiden run with the Prime Minister at its controls. The locomotive cost Rs 13.5 lakhs and took about a year to build. During the Third Plan it is proposed to develop a manufacturing capacity of 72 electric locomotives per annum at the Chittaranjan Works. This will be done without affecting the manufacture of steam locomotives.

An electric locomotive, it is calculated, can replace 2½ steam locomotives. Electric locomotives, however, can operate only where the density of traffic warrants the high cost of the power distribution system which has to be built up. While it is possible that in course of time diesel and electric traction will supplant steam traction, as they have done in other countries, for the present, however, electrification will be confined to sections on which the replacement of steam traction is considered imperative for operational reasons, having regard to the density of traffic already reached and the expected increase in traffic. The railways' electrification programme in the Third Plan is, therefore, limited to routes which serve the steel plants and the coal mining regions.

However, since expenditure on rolling stock forms a substantial proportion of the cost of electric traction, even for this limited programme of electrification the problem of procuring electric rolling stock becomes formidable. The manufacture of electric locomotives at Chittaranjan is, therefore, a sort

of king-pin in the programme. Chittaranjan will assist the railways in other ways also. A giant galvanising plant has been set up at the Works where masts, towers and various other components required for the overhead transmission of power at high voltage are galvanised to increase their service-life and reduce maintenance costs and shut-downs.

I B R D Loan for Railways

IN June the Aid-India Consortium underwrote virtually our entire foreign exchange requirements for the first two years of the Third Plan. But subsequent delay in concluding the necessary agreements with the individual countries has now become a matter of concern since, even with the assistance rendered by the I M F, our foreign exchange reserves have steadily dwindled in recent months. As a result the undertaking of any major project in the Third Plan must await credit from one country or the other.

The foreign exchange component of the railways' programme in the Third Plan is substantially lower than in the Second Plan, reflecting in part the progress made in the manufacture of railway equipment in the country. The phasing of the railway programme, however, is such that the greater part of the foreign exchange expenditure of Rs 186 crores will have to be met in the next two or three years if the schemes are to be completed in time. The latest World Bank loan of Rs 24 crores to the railways announced last week, is, therefore, most timely. This loan will help to meet part of the cost of equipment and materials to be imported during the coming year by the railways.

The World Bank has always been kind to the railways. Even before the present loan, its total lending to the railways amounted to \$329 million. This is by far the largest amount lent by the Bank to any single borrower in any country, and almost half of all World Bank loans to India so far. The Bank supplied about 40 per cent of the railways' foreign exchange requirements during the Second Plan.

The emphasis in the railways' development programme in the Third

Plan, which is estimated to cost Rs 1,325 crores, is on increasing capacity by equipping the railways to run heavier trains at higher speeds. To achieve this, it is planned to increase substantially the number of diesel locomotives, electrify 1,300 route-miles of track and acquire large capacity wagons with centre buffer couplers. The Railway Board has already decided to purchase 100 diesel locomotives from the United States at a cost of about Rs 11 crores.

The higher train-loads will enable the railways to avoid investment which will otherwise be necessary on line capacity works. But whether dieselisation and electrification will appreciably speed up wagon turn-about is not so certain. The few rough estimates of wagon turn-about time that have been made suggest that wagon turn-about time has lengthened in recent years. It is important to note, however, that this is not so much due to running, shunting or repairs as to the time spent in loading, unloading and in waiting idly before and after these operations. Since running time is only a relatively small fraction of the total turn-about time, it is questionable whether the introduction of faster and costlier locomotives will appreciably increase wagon-usage. Dieselisation and electrification which necessitate high capital expenditure with a large foreign exchange component, may not, therefore, succeed in reducing idle capacity on the railways. It deserves to be considered whether such efficiency-creating investment as in signalling equipment, marshalling yards, warehousing and in creating fresh line capacity at stations should not be given a certain priority over investment in acquisition of additional rolling stock.

L I C Bonus

THE announcement of the final bonus scheme of the Life Insurance Corporation last week brings a long period of uncertainty for holders of with-profit policies to an end. Under the new scheme announced, the various insurance companies issuing policies with profits before nationalisation have been classified into 25 groups, instead of the five groups into which they were divided in the provisional bonus scheme of mid-1959. As a result, it has been possible to exercise a

greater degree of discrimination between the conditions in different companies than was possible when these companies were lumped together into only five groups. The twenty-five groups have been allotted index numbers which determine the proportions of their bonuses to those of others. The Life Insurance Corporation itself has been allocated an index number of 10 and the bonus declared for the LIC participating policies will thus determine hereafter the bonuses that will be received by the policy holders of the different companies.

The Managing Director of the Life Insurance Corporation, Shri S D Srinivasan, gave out some interesting details at the press conference at which the new bonus scheme was announced. At the end of 1957, he said, 42.89 per cent of with-profit policies came under group index number 10, which is the index number of the LIC itself as well as of 22 insurance companies and two Government insurance departments. Another 49.62 per cent of such policy holders came under group index numbers 11 to 14. The majority of the holders of participating policies will thus receive Rs 16 or more if they have whole-life policies and Rs 12.80 or more if they have endowment policies. Shri Srinivasan also pointed out that policy holders of 119 of the erstwhile insurance companies would get a larger bonus than that declared in the mid-1959 provisional bonus scheme while those of only 26 companies would get less. He explained that policy holders of 42 companies who would have got nothing under the provisional scheme would get some bonus under the new scheme.

This does not, however, satisfy the critics of the Corporation, who are more concerned with the bonuses now declared in comparison with those that used to be declared by some of the better managed insurance companies before nationalisation. Those who hold policies issued by some of these companies before nationalisation are naturally concerned about the reduction in their bonuses under the present scheme, as compared with those that they would presumably have got if there had been no nationalisation. It appears that bonus payments are lower now than they used to be for 26 companies, while they are higher for 161 companies.

When the number of policy holders involved is compared, however, it is found that those who lose number 17.42 lakhs, while those who gain number 11.74 lakhs. The losers thus outnumber by far the gainers, even if the policy holders of the Life Insurance Corporation itself are completely excluded from the picture. Those who have taken out policies with the LIC did not have any choice in the matter, but compared with what they could have obtained if they had insured with the better managed insurance companies, they have certainly been losers.

The Corporation has promised that the valuation for the year ending December 31, 1961 will be completed before the middle of 1962 and the bonuses for this period announced at that time. It seems unlikely that there will be a sharp increase in bonuses for this two-year period, though any reduction in the present level of bonuses can also be ruled out. Shri Srinivasan has pointed out that the valuation basis adopted by the Life Insurance Corporation has been quite stringent. He maintained that the Corporation would be in a position to maintain the present bonuses in future and might even be able to improve on them "if the present favourable conditions continued." With this hope, policy holders will have to be satisfied. They cannot expect much more in the present set-up. It is for those taking out new insurance policies to decide whether in the light of these facts, it would be worthwhile for them to take out participating policies and pay the slightly higher premium rates which they carry.

Oil Pricing and Expansion of Refineries

AS New Delhi views it, our Delhi Correspondent points out, there is an obvious connection between the pricing of crude and the expansion of the private sector refineries. The cost of expansion would, no doubt, be comparatively low. The economies of scale are obvious. That this expansion would not cost any foreign exchange to the country, however, is questionable. If expansion of capacity means continued imports of crude in larger volume on the present system of pricing, the saving in the foreign exchange part of the capital cost is not self-evi-

dent. On the contrary, if the loss of foreign exchange implicit in pricing of crude continues indefinitely, we would lose more of foreign exchange in the long run than what we would save now. In fact, the advantage will be more than offset within a few years by the inflated price at which the oil companies are importing crude. While the Government has no intention of backing out of its commitments under the Refinery Agreements, it will not consider the expansion of private sector refineries, unless the companies voluntarily renounce the provision in the Agreements which allows them freedom to choose their suppliers of crude oil.

This is quite apart from the question of location which the Oil Ministry has always linked with the proposals of expansion of the refining capacity. On this, however, the Ministry's stand has been questionable, however much one may sympathise with its understandable desire to rectify the mistake committed initially in locating the two big refineries in Bombay. The decision was an extremely short-sighted one and was perhaps unavoidable because the country was bargaining at the time from a position of weakness. For the past several decades the tendency the world over has been to locate refineries in the consuming areas, in view of the high cost of transportation of refined products. It is by no means self-evident, however, that the economies of scale obtained from the expansion of capacity in the Bombay refineries would be more than offset by increase in transportation costs of refined products. Today, the position is that two big refineries are on the west coast and the two new refineries are coming up in the north-east. On the eastern coast, there is only the Caltex refinery with an annual throughput of only three-quarter million tons. The locational imbalance can be rectified if a new refinery is set up in Cochin. In fact Malaviyaji, it is reported, actually made an offer to Burmah-Shell to set up the new refinery in Cochin instead of expanding their refining capacity in Bombay. This offer, however, was subject to a condition viz. that it should refine crude freely purchased at the cheapest world market price. Burmah-Shell, however, have so far shown no interest in any such proposition.

Road Transport

IN a broad sense, it is true, as the Prime Minister said when inaugurating the E C A F E seminar on road transport, that in the present situation in India it is meaningless to talk of rail-road competition. There is a general shortage of transport and, consequently, what is required is to expand transport facilities in general by expanding both road and rail transport. During the first two Plans, the demand for transport has increased much faster than the increase in national income or the growth of industrial and agricultural production. Thus while national income has risen by about 42 per cent and agricultural and industrial production by 41 per cent and 94 per cent, respectively, railway traffic, measured in ton miles, has doubled and road traffic has increased even more. From the experience of the developed countries, it is reasonable to assume that transport requirement will continue to grow apace for many years to come.

But though there is a shortage of transport facilities and though this shortage is likely to persist, competition between road and rail transport over particular routes and in respect of certain commodities cannot be ruled out. The Committee on Transport Policy and Coordination has, therefore, suggested that in preparing their plans for increasing line capacity, the railways should take into account the development of road transport in the areas concerned. While most of the new lines proposed to be taken up in the Third Plan are required either to meet the operational needs of the railways or to move basic commodities like coal and mineral ores, it is just as well to remember that the volume of traffic handled on some of the new lines laid during the first two Plans is much below capacity.

There has also been a change in the composition of the freight carried by the railways. The share of low-rated commodities in total railway freight traffic has increased significantly in recent years. Between 1955-56 and 1958-59, the total originating tonnage of low-rated commodities increased by about 22 per cent while that of high-rated

goods actually declined by about 5 per cent. To a great extent this is, no doubt, the result of industrial development. But, as the Transport Policy Committee has pointed out, in the last few years there has been a growing tendency on the part of private consignors to make greater use of road transport for long-distance carriage of goods which were normally carried by the railways in the past. Particularly, traffic in commodities which have to bear relatively high railway freight rates is being diverted to road transport. The consequent concentration of low-rated traffic on railways is likely to become even more marked in future.

Thus even while there is shortage of transport generally, there are indications of competition between rail and road transport in particular areas and in certain types of commodities. A major hindrance to the formulation of a long-term policy for coordinating development of road and rail transport is, however, the inadequate information about the capacity available in road transport. The number of vehicles registered with the State Governments is about the only basis for assessing the freight carried by road. On this basis, however, widely varying estimates can be made, depending on the assumptions about the capacity of the vehicles, the extent of utilisation of vehicles, the average mileage achieved by a vehicle per day and the number of days in a year the vehicle is operated. This is illustrated by the estimates of total ton miles hauled by road transport in 1958-59 submitted to the Transport Policy Committee by different agencies. The estimates vary widely, e.g., between 12,800 million ton miles estimated by the Indian Roads and Transport Development Association and 17,400 ton miles estimated on the basis of the assumptions indicated by the Railway Board. The Committee has itself estimated the ton miles hauled by road transport at 8,500 million in 1958-59 and 10,600 million in 1960-61. It would appear, therefore, that the first pre-requisite for formulating any scheme for coordinating the development of road and rail transport is to evolve a more dependable basis for estimating the part played by road transport in the economy.

From the London End

THE experience of the last ten years has had the effect of diminishing the appeal of the Tory image. With an eye to the elections two years ahead, the Tory leadership went out of its way to inject some new enthusiasm into the party conference at Brighton last week. Since they have no new policies to offer, the eve-of-conference Cabinet changes were announced to give a feeling that things were on the move once more. What exactly these new changes in ministerial appointments imply, is hard to interpret. Has, for example, Mr Butler been promoted or demoted? Having relinquished the leadership of the House and the Chairmanship of the Conservative Party, he has now been put in charge of the ministerial group which is to supervise the negotiations with the European Economic Community—a function previously discharged by the Prime Minister. Is Mr Ian Macleod now definitely in the running for the next Tory Prime Ministership or is his removal from the Colonial Office a sign that more reactionary policies are to be pursued on colonial matters?

Commenting on Mr Macleod's appointment, the leader of the Liberal Party, Jo Grimmond said: "Mr Macleod's departure from the Colonial Office will be greeted with wide-spread regret and a certain amount of misgiving. No doubt the position of the Leader of the House is a highly honourable one, but one cannot help thinking that he is being kicked upstairs in order to placate the more maverick elements in the Tory Party". The team in charge of implementing the Government's economic policy has been strengthened by taking on a second Cabinet minister to the Treasury. Selwyn Lloyd will now be given charge of economic policy in the broadest sense and Mr Brooke, as Chief Secretary to the Treasury, will be given detailed control on the Estimates and Public Spending. It will be recalled that the need for a separate Cabinet minister to tone up the present weak and fitful Treasury control on public spending was more than hinted at in the Plowden Report. The transfer of Mr Maudling from the Board of

Cabinet Shuffle

Trade to the Colonial Office seems to imply a further down-grading in political status of the Board of Trade and might, at a later date, provide a pretext for transferring to the Treasury some of the miscellaneous economic responsibilities with which this Department has been loaded. This new system of "double banking" of ministers may of course help to spread the load and make ministers a little more decisive.

Common Market — a Political Decision

What do the main decisions taken at the Brighton Conference signify? The impression is being created (with an eye on the decline in popularity of the Conservative Party) that Conservative policy has a progressive hue. The victory of Mr Butler on the issue of capital punishment is hailed as heralding this trend, but when it is balanced against the decision taken at the Conference on the question of checking immigration from the Commonwealth, this argument looks a little thin. The prospect outlined by Macmillan that "the bleak ideological struggle between the West and Communism will continue for another generation — perhaps even longer" can hardly be considered promising. The aim at home of a balanced society in which "public effort is conjoined with private purpose in a common endeavour to increase our wealth and use it well", is sufficiently vague and commits no one.

One point emerged quite clearly from the debate on the Common Market and that is the Government's determination to join it, whatever the consequences. The Prime Minister admitted that "it is a bracing cold shower we shall enter, not a relaxing Turkish bath", but he was determined that Britain must be prepared, in the coming decade to, "face changes in her industrial life and organisation, some of them novel, many of them painful, but all of them in the long run salutary." The objections to the Common Market were put up with great force by Sir Derek Walker-Smith and those who supported him.

It is quite clear that the Government's motive for joining the Com-

mon Market is not economic, but political. The two advantages that the Tories see are that this will strengthen the "free world" and that it will create the opportunity for Britain to assume the leadership of Europe. The Government's anxiety to gain a victory on this question was clear from the attitude of Mr Heath and Mr Sandys; the latter even went so far as to say that a vote against the platform on the Common Market issue would be regarded as a vote of censure. It is not surprising that in these circumstances, the opposition was completely smothered.

Optimism Wanes

The latest report by the Federation of British Industries on industrial and export trends, covering the four months from June to September, shows that the mood of British industry had changed markedly during this period. Business optimism waned significantly; the order position deteriorated and investment intentions showed a downward trend. Views on export prospects, were closely balanced between pessimism and optimism. New orders for export were not received quite as fast as in the previous period. Though the majority of firms, reported that prices were steady, more firms reported lower than higher prices.

If the latest F B I report is compared with the previous report issued in June, it will be seen that the survey of industrial trends reflects the change of mood induced two months ago by Mr Lloyd's "Little Budget" in July. In the June report, businessmen who felt optimistic about the general business outlook, still outnumbered the pessimists, though only by a small margin. By September the balance had shifted significantly. At the same time, the proportion of firms feeling less optimistic about the future jumped four-fold from 11 per cent to 44 per cent. During this four-month period output continued to rise—though probably at a slack pace—and is expected to go on rising for the next few months. However, costs continue to rise faster than selling prices and

orders are tending to fall as productive capacity grows. The proportion of firms working below capacity has increased from 45 per cent to 51 per cent. What is now expected to act as the main brake on output during the months ahead is shortage of orders rather than shortage of skilled labour. Among the industries that are particularly hopeful about getting more export orders are the engineering, automobile and food and drink industries. Manufacturers expect expanding trade in North America, Latin America and — especially Europe, but less success in the Middle East, Africa, Australasia and India.

The Yawning Gap

The latest figures released by the Board of Trade show that while exports of manufactures by the main Western countries rose by 5 per cent in the first half of this year, compared to last year, British exports rose by just over 3 per cent. Compared to this, exports by West Germany, Italy, Sweden and Switzerland rose by 10 per cent. Lower down the scale were the U.S.A., whose exports rose by 2 per cent and France whose exports increased by less than $\frac{1}{2}$ per cent.

The half-yearly balance of payments figures published last week, show that the U.K.'s position remained extremely unsatisfactory in the first six months of 1961. The figures released indicate that there has been a continued deterioration in most "invisible" items which, from the long-term point of view, is one of the most serious problems facing Britain. The substantial worsening on visible and capital account means that what would have been a fairly good performance on the balance of trade two years ago, is now nothing like good enough. The loss on invisibles alone has been over £200 million a year and this trend does not look like being reversed. This underlines the point that exports will have to rise much faster than they have done so far before a satisfactory external balance is obtained.

In view of Selwyn Lloyd's promises to cut Government spending overseas, it is interesting to note that the balance of payments figures show vaster sums than ever going into military expenditure abroad.

In the first six months of this year, U.K. spent £121 million on this, an increase of £11 million compared with the same period last year. If this rate of spending continues for the rest of the year, the total for the whole year will be £29 million more than in 1960.

But for two exceptional items — the sale of the Ford shares for about £130 million and the advance repayment of the German debt of £45 million — the capital account would have shown a deficit of around £220 million, well up on the comparable 1960 figure of £138 million.



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Our Delhi Letter

More Light on Oil Pricing

THOUGH the Government of India has accepted the recommendations of the Oil Price Enquiry Committee, the disclosures about the oil industry made in the report are still engaging attention in official circles in the Capital. The most interesting parts of the report are, perhaps, the sections dealing with the pricing mechanism of crude oil and imported refined products.

According to the Refinery Agreements, the three oil companies — Burmah Shell, Standard Vacuum and Caltex — have freedom to make their own arrangements for import of crude oil. The Damle Committee has found that the oil companies have made use of this provision to the maximum. None of these companies deals directly with the original producer/supplier and operates through one or more intermediaries. The Burmah Shell Refinery, which is the biggest of the three, for instance, receives its supply from three consignors, namely, Shell Co of India, B.P. (India) Ltd and B.O.C. (I.T.) Ltd, who in turn purchase oil from Shell International Petroleum Co, B.P. Trading Ltd, and Shell International Petroleum and B.P. Trading Ltd, respectively. Even these companies are not themselves original producers/suppliers of crude oil. They obtain their requirements from an associated company in Iran, the name of which has not been disclosed to the Damle Committee. Burmah Shell has pleaded that it does not possess detailed knowledge of the terms on which crude oil is purchased in Iran as its transactions are confined to the consignor companies only. Though these arrangements are not set out in any formal documents, they are nevertheless stated to be for an indefinite period. The arrangements of the other two companies are on more or less similar lines.

The Committee observes: "The Oil Companies do not have access to the invoices of the original producers/suppliers of crude oil and remittances of foreign exchange are settled by them on the basis of the invoices of their immediate consignors who are not original producers/suppliers of crude oil. In

such a situation, it is difficult to know precisely what transpires between the original producers/suppliers and the immediate consignors and how their relations are governed in regard to remuneration on transactions passing through their hands". The Committee further notes that "remittance of foreign exchange on the basis of the invoices of the immediate consignors only would not be conducive to absolute control, without a reasonable basis of satisfaction that such invoices represent no more than true prices paid for purchases of crude oil at the source of supply. Although the importing firms claim that they are invoiced at such rates only at which supplies are initially obtained, in the absence of a tangible proof of such position, one is inclined to believe that the most economical use may not have been made in all cases of the foreign exchange made available to them for this purpose in terms of the assurance in the Refinery Agreement."

The companies told the Committee that they pay no remuneration to intermediaries for the service rendered by them, except nominal charges paid in this respect by Stanvac. On this, Committee has made the caustic comment that "it is difficult to appreciate how they could subsist without charging some sort of commission on transactions passing through their hands."

Prices Not the Lowest

The companies maintain that their prices are based on the lowest postings in the Persian Gulf and other supply areas, subject to such discounts as they have been able to obtain from their suppliers. But the Committee says: "We are inclined to believe on the authority of well known publications on the oil trade that the persistent world surplus of producing capacity (actual and potential) aided by a surplus of refining capacity which sharpened competition in the final marketing of products from which crude oil buyers derive their income, has led to the gradual lowering of the average selling prices of crude oil and consequently the posted prices

are no longer the last word in all cases, and widespread discounting of such prices is reported to be taking place. Although discounts off posted prices are reported to have been traditionally granted, particularly where new outlets were being opened up, in recent times such discounts have tended to increase in size and to become more widespread. There is reason to believe that the posted prices have now virtually become the starting point for bargaining for discounts."

The Committee feels that the offer of discount made by the companies in 1960 was influenced by the competition generated by the offer of Russian crude oil. But actually it should have been possible for the companies to bargain for discounts off posted prices with their suppliers long before the appearance of Russian crude oil in the market. In this connection the Committee cites the cases of Japan and Brazil who are successfully bargaining for discounts. The Committee expects the oil companies "not only to continue to press on their Suppliers for the granting of discounts off posted prices in future, but also to increase the quantum thereof, consistent with the market trends prevailing from time to time."

The Committee points out that the provision of freedom of choice of the source of supply in the Refinery Agreements may be considered to be qualified by the stipulation that purchases will be made at the "world market prices". The Committee is of the opinion that in the determination of the "world market prices", "the offer of Russian crude oil to different countries in the Eastern and Western Hemisphere at very attractive discounts off posted prices in the Persian Gulf (in many cases with ocean freight also as from the same source, i.e., Persian Gulf) cannot be totally ignored. The Russian source is of recent development in the world market and naturally the same could not be envisaged at the time the Refinery Agreements were concluded. The Government of India have demonstrated their willingness to fulfil their obligations in terms of the Refinery

Agreements by not insisting on utilisation of Russian crude oil by the coastal refineries even if the same was available at attractive discounts. We consider that the oil companies should recognise the advent of a new set of circumstances, in a long term agreement of this nature, and not insist on import of crude oil from sources of their own choice only, so long as the profitability of the refineries is not affected. Even if they must do so, on account of their commitments to their overseas suppliers we would not insist on utilisation of crude oil from any particular source, but would expect the companies to press on their suppliers for equivalent discounts, as available to India on a long term continuous basis on imports of the same quality from other than the traditional sources." The Committee suggests that the "availability of discounts on crude oil should be taken into account while allocating foreign exchange to the oil companies for import of crude oil."

Pricing of Products

The position with regard to imported finished products is broadly the same. In case of finished products, however, the major oil companies have not been able to secure any discount. But the Committee is not convinced on this point and has noted that discounts should be available even on refined products. Japan, for instance, has been able to secure a discount on the supply of finished products obtained from the Middle East. Also, a small company, Western India Oil Distributing Company, operating in this country has been securing discounts on its supplies from the Middle East. The rate of discount has been increased from last year. The Committee thinks that the "availability of discounts depends upon the bargaining capacity of the individual importing company." However, the "agreement of the Consortium of the major oil companies with the producing countries of the Middle East provides for sharing of profits on the basis of the posted prices under the 50:50 arrangements, and not on realised export prices. Thus, the discounts are allowable by producing companies from their 50 per cent share of profits. As the major oil companies operating in India and/or their foreign associates have in-

terest in the Consortium operating in Iran, or they are otherwise associated with the producing companies, they may not be interested in depressing the profits of the producers in the Middle East and would be reluctant to apply pressure on their suppliers for discounts, even though normally offered to other purchasers."

The Committee has rejected the suggestion that the Soviet oil deal with India is not a normal business transaction. "We have examined the nature of these transactions carefully. We do not find any evidence to justify this conclusion. The supplies to the Indian Oil Co are the subject of an agreement which has been reduced to writing and wherein all the usual clauses regarding price, quantity, mode of payment, period of payment, interest charges in the event of delay in payment, etc, have been specifically and clearly drawn up." The Committee also does not accept the companies' complaint that the present ceiling selling prices laid down by the *ad hoc* Price Agreement of September 23, 1960 are not fair, since "in spite of such presumed tight ceilings the major oil companies have been under-quoting particularly High Speed Diesel Oil against the price established for such products by the Indian Oil Company for imports from Russia at favourable discounts. In some cases the prices quoted were even lower than the landed cost of the product from Russia. Such under-quoting by any oil company could only be possible if substantial discounts were available to it on f o b postings."

Changing Market Conditions Ignored

Unlike in the case of crude oil, there is no provision in the Refinery Agreements allowing the companies freedom of choice as to the source of supply of bulk refined products. The Committee in this connection observes: "We consider that in terms of the Refinery Agreements, it would be quite appropriate to demand that the landed cost of imports should be determined on imports at cheaper rates, if available, from sources other than those which have been normally utilised by the oil companies, provided continuous supplies of equivalent quality are guaranteed. The Refinery

Agreements are of indefinite duration. At the time of their conclusion several years ago, the developments of today regarding the availability of supplies from other sources at concessional rates could not naturally be foreseen by either party. Normal changing patterns of trade cannot, however, be excluded from consideration in the determination of prices, as otherwise, we shall be introducing an element of arbitrariness without recognising world trends."

Though the Oil Ministry is no very happy about the operative recommendations of the Committee, the report is regarded in the Capital as a clear verdict against the oil companies. It is considered to have strengthened the position of the Oil Minister *vis-a-vis* the companies and weakened the latter's case for expansion of their refineries. The points against the companies may be briefly mentioned. First, by operating through a number of intermediaries, the companies are inflating the price of crude oil. Second, the companies first offered discount on the posted price of crude oil only in 1960, even though such discounts have been available in the world market since 1958. Besides, the quantum of discount allowed was also smaller than that generally available. Third, the companies have offered no discount on refined products while such discount is available in the world market. Finally, the "import parity" principle in regard to prices which the companies were entitled to charge for their finished products was intended to prescribe the ceiling price, but the companies have been sticking to the ceiling even when they could have charged lower prices without reducing their returns below a reasonable level.

The most important question which the Damle Committee's Report has provoked is about the future of private oil companies in India. Under the umbrella of the Refinery Agreements—which were signed when this country was in a disadvantageous position—they can just maintain their existing business, but if they want to expand their activities, they have to recognise that the times are changing and adjust their attitudes and policies accordingly.

Capital View

The Truth No One Wants to Hear

Romesh Thapar

THOSE sitting in the recent Hindu Convention at Sapru House must have wondered whether the confabulations of the National Integration Conference had any impact at all. The majority of delegates openly challenged the bonafides of the Muslims, urged that the community be disenfranchised until it had proved its 'loyalty', and also recommended that the only panacea lay in establishing a 'Hindu Rashtra'. One gentleman — Dr D S Parchure, an accused in the Gandhi Murder Case—in a speech punctuated with applause, cleared the decks by declaring: 'Unless the Government at the Centre is pulled down, ours will be a cry in the wilderness.'

What C D Deshmukh and General Cariappa were doing hobnobbing with this 'subversive mob', as one indignant newspaperman described it, is anybody's guess. Perhaps, they felt duty-bound as Hindus to inject some secularity into this fiery atmosphere. The idea is not so far-fetched as it sounds. Only the other day Muslim Congressmen and Muslim Communists were encouraged to attend the Muslim Convention with a similar purpose in mind. Of course, no one thought of sending Hindu Congressmen and Hindu Communists to the 'doings' at Sapru House.

Skin-Deep Secularity

Truly there is something very wrong with the secularity of apparently secular organisations in this, our land. Double standards are in vogue—and these are sharply highlighted by the sort of comment one hears in the Capital about the fierce spread of anti-Muslim sentiment in the North following the Aligarh clashes. 'It is the Muslims who are the culprits *this time*' says a self-satisfied army officer who thinks he is about the only secular force holding the country together. 'I saw Muslims everywhere but no Hindus,' declares the observant business executive who happened to drive through the plague-spots on his way to Delhi. 'To think of it, they've now started killing us in India' mumbles the frightened housewife

who seldom bothers to read a newspaper. Scratch them — and they are tucking like the Hindu stalwarts in Sapru House.

What happened in Aligarh? Why did the Students Union elections take on a sharp communal flavour? Who sparked the attack on the defeated Hindu minority in the University? What was the sinister plan behind the disturbances? These are the questions to be asked, but nobody asks them. A few think that their duty has been done by demanding an 'immediate enquiry' into the happenings. The Prime Minister is 'angry' and 'shocked' down the Madurai-way. And Pakistan has a protest ready — to add fuel to the fire.

Jamat-e-Islami

The truth which no one wants to hear because the elections are too close, is gradually filtering through. It makes a strange reading. The story begins in 1938 when Maulana Maudoodi founded the Jamat-e-Islami linked to similar groups in other countries and sharply anti-socialist. It was not a parallel Muslim League demanding the establishment of a separate Muslim State; it spoke of the need to nurture Islam over the entire continent, claiming that the downfall of the faithful was traceable to their forsaking the path of God as enunciated in the Koran. It did not participate in the elections, but concentrated on building a powerful organisation to project its ideals. Partition came—and the Maulana fled to Pakistan with most of his leading followers.

Aligarh felt the Maulana's absence, for it was there that the Jamat-e-Islami was particularly active. Work amongst the students also became difficult because that courageous nationalist, Zakir Hussain, with the support of Maulana Azad, had taken over the affairs of the University. 'In the University, let all winds blow' Zakir Hussain used to say when Hindu and Muslim communalists pointed accusing fingers at the liberal and Marxist-oriented teachers being recruited to the University.

He was consistent—even allowed a few Jamat-e-Islami 'theoreticians'.

Bold Experiment

Aligarh began to feel the impact of secularity, even though the proportion of Muslims and Hindus was two-thirds and one third respectively. Students lived in common hostels and were beginning to imbibe the meaning of being Indians. Zakir Hussain, despite pin-pricks from leading members of the Government of India, continued his bold experiment.

But, as always, the communalists, Hindu and Muslim, hidden and open, have a way of uniting when a truly liberal, secular challenge to their ideas takes root. Zakir Hussain was shunted off—kicked upstairs. Colonel B H Zaidi took over the Vice-Chancellorship. Campus rumour had it that he was to preside over the purge of 'communist elements' from the teaching staff.

Zaidi, however, was too weak and easy going to carry out a drastic purge before a student community which had developed a warm regard and affection for the principles enunciated by Zakir Hussain. So, the powers that be gave him a lieutenant to 'salvage' the University—none other than Yusuf Hussain Khan, the younger brother of Zakir Hussain. Without a doubt it was a choice which would help kill two birds with one stone!

Yusuf Hussain Khan was appointed Pro-Vice-Chancellor without any really tangible duties. But it is interesting to go back into the past of this 'educationist'. Educated at the Sorbonne in Paris, holding radical views, almost atheist, Yusuf Hussain Khan returned to Hyderabad where he made his peace with the Nizam—even published a sycophantic history of the founding of the 'dynasty'. Later, his name came to be associated with the Razakar movement. Indeed, he was a member of the Hyderabad delegation to the UN session at Paris. However, for reasons not known to us, Yusuf Hussain Khan returned to Hyderabad, accepting the State's merger

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with India. After several years of self-imposed obscurity, he emerged to become Pro-Vice-Chancellor of Aligarh University.

Zaidi may have been Vice-Chancellor, but Yusuf Hussain Khan was the power behind the scenes. With his arrival it began to be noted that the pressure against the liberal teaching elements introduced by his brother, Zakir Hussain, took on new vigour. And there was increased activity among the students of the Jamat-e-Islami. Skilful use was made of the economic crisis facing young, educated Muslims to persuade them that their only salvation lay in asserting their individuality. Very soon Yusuf Hussain Khan was controlling the majorities in the executive organs of the University. Courage was even found to criticise the late Begum Zaidi for encouraging girl students to take a more prominent part in the University activities.

The Virus Spreads

The communal virus was spreading rapidly in Aligarh, and those in Delhi who could destroy it, were not prepared to, because they feared the liberal unorthodox atmosphere of the Zakir Hussain days. Only recently, there was talk about the deterioration of affairs in the University and a Commission of Enquiry dealt with administrative irregularities. Interestingly enough, one of the recommendations was the abolition of the post of Pro-Vice-Chancellor. It was but natural for the Executive Council of the University to reject the report of the Commission! No further heed was paid to the explosive situation which was developing.

Elections to the Union brought matters to a head. The Jamat-e-Islami persuaded the bulk of Muslim students to put up a panel of fanatic Muslim candidates. The Hindus, encouraged by the Jan Sangh, responded with a panel consisting only of Hindus, including one girl. The campaign was joined on a vicious communal note. There were threats to turn all the 'kafirs' out of the campus, to destroy mosques and build mandirs and the like. The Vice-Chancellor and Pro-Vice-Chancellor permitted this—or, at least, refused to act. And Education Minister Shrimali remained silent.

Even as Colonel B H Zaidi participated in the National Integration Conference, the battle lines were being drawn in Aligarh. On the night of Sunday, October 1, the inevitable victory of the 'Muslim Panel' was announced. The 'Hindu Panel' had been defeated. Only a meagre 10 per cent had voted non-communally. And, as is usual in Aligarh, a funeral procession of the defeated was taken out at night. But a joyful occasion turned into stark tragedy. Communal tension was heightened by the visual enactments of the funeral procession—and as the news spread, Hindu students from outside the campus, led by the Jan Sanghis arrived to deal with the Jamat-e-Islami. Soon after the Jamat followers attacked their Hindu colleagues in the hostel. Being in a small minority, the Hindu students panicked and fled to the city. False reports of 'killings' spread. The march on the campus began but was halted by the local authorities. So the marchers descended on the Muslim inhabitants of Aligarh.

Tragedy Averted

The rest of the sordid story is familiar. But what, perhaps, is not so well known is the energy and firmness with which the local authorities, led by Chief Minister C B Gupta and Minister Charan Singh, have acted. Any apathy on their part would have seen Uttar Pradesh engulfed in a gruesome tragedy. Here's hoping that this drive against the troublemakers will not lessen, for C B Gupta's claim that there is an organising hand behind the eruptions may well be borne out.

Meanwhile, it does not need emphasising that the future of the National Integration Council is dependent on how it tackles the Aligarh business. It is not enough to declare that the denominational character of certain universities should be ended. An example must be made of those elements, individuals and factions, which are driving our universities into the hands of revivalists Hindu or Muslim. Unless the National Integration Council takes upon itself the task of acting promptly we may have many such explosions which spread the communal virus. The Council would do well to assert and implement the thought behind the words: 'In the

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universities let all winds blow.' We are far from this ideal.

But then, Delhi has a notoriously short memory. There's so much more to excite the political appetite—Krishna Menon's 'skull operation', Morarji Desai's foreign tour, the extra 300 crores spent on the public sector steel plants, the report on the 'super-sonic' plane produced in Bangalore, the jobs that the UN may offer senior Indians, the election tickets which are in the offing, the repeated inexplicable power failures which plunge even the Planning Commission in darkness—and last but not the least, the Ram Lila festivities which are going to be bigger and more vulgar than ever before despite the sensitive feelings of the South! More about all this another time.

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THE ECONOMIC WEEKLY

Parliamentary Control over Expenditure

How to Make It More Effective

A Prem Chand

The Central Government's expenditure has increased sharply during the last decade. With the rise in expenditure the question of parliamentary control has assumed an added significance. How effectively can Parliament control expenditure incurred by the executive?

Parliament exercises control over expenditure through discussions on the appropriations proposed by the executive and through its two financial committees.

An attempt is made here to assess the effectiveness of Parliamentary debates as an instrument of control over expenditure. The work of the financial committees is not considered here.

An attempt is also made to evaluate the suggestions that have been made from time to time to make Parliament's control over expenditure more effective.

ONE of the important ways in which Parliament exercises control on the executive is through its power to discuss and accept the 'demands for grants' presented to it. The general procedure and techniques adopted by the Parliament in this respect are normally known. But the mere provision of rules and extensive regulations in the 'rules of procedure' is by itself not adequate; the real objective can be fulfilled only when these techniques are used regularly in the day to day parliamentary proceedings.

The effectiveness of Parliament's control depends, in addition to other factors, upon the scope and nature of the debates of the Houses. Debate is the Parliament's main weapon. Many factors limit the effectiveness of this weapon. For example, it is a general complaint that the time allotted for discussion is not always adequate. To some extent, the inadequacy of time allotted for debates is inherent in the Parliamentary system. As Durrell says: "Of all the restrictions on effective Parliamentary Control which are imposed by Parliamentary practice and procedure, perhaps the greatest is the lack of time for due deliberation."

Party Affiliations

Other factors also limit the effectiveness of debates. There is, first, the party system. It is the general practice that any measure introduced by the Government receives support from its members of the ruling party in the House. This partisan attitude on general issues

and in general debates can be justified, but it is questionable whether these attitudes should be extended to cut motions, etc., which are intended not so much to criticise a policy as to comment on the wastefulness of a particular expenditure. In India, party affiliations are stretched even to cut motions. As Professor Morris Jones says, "The cut motions are almost invariably moved only by opposition members, the Congress Party having effectively discouraged cut motions from its own supporters." Instead, a procedure has been devised by which Congress Members submit to the Ministers ten-line memoranda containing local and specific pleas. More reliance is thus placed on the Party approaches than on debate in the House.

Secondly, the technical jargon in which the demands for grants are couched dissuades a majority of members despite their interests in financial matters, from participating in the debates. As Earl Atlee said, "It was an unsatisfactory system that they should have to discuss pages and pages in figures in a debate on the floor of the House." This difficulty is not peculiar to the Indian system¹. This difficulty

¹ "Parliamentary Reform," Hansard Society.

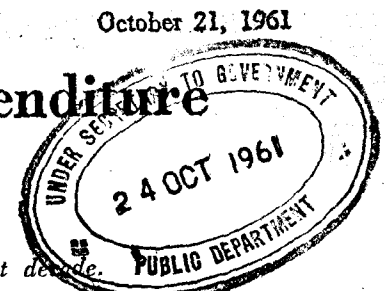
² Professor Arthur Smithies observes thus on the American experience: "Public comprehension of the Budget is greatly hampered by its bewildering terminology. On the expenditure side, the terms of appropriation, obligation and expenditure cannot be avoided and are confusing enough." Further "This incredible complexity results largely from attempts at concealment." "The Budgetary Process in the United States," 1955; p 197.

with the terminology often results in financial matters becoming the forte of a few specialist Members. To that extent, the discussion tends to become a talk between specialists, while the other Members confine themselves to the ventilation of local grievances with little or no realisation of the impact of their acceptance on the overall finances of the Government. Thus innumerable cut motions are moved, generally to demand a railway line here or a fertiliser plant there. In the process national interests yield place to parochial and local interests.

The Trivial and the Sensational

Further, the debate in Parliament is often devoted to a discussion of the trivial and the sensational e.g., the expenditure on the British Queen's visit in January last. A good many hours are spent on discussion of details of a particular expenditure where the amount involved is small while relatively much less time is devoted to bigger items of expenditure. Needless to say, this does anything but strengthen Parliamentary control over expenditure. As the speaker of Lok Sabha said once, "in the field of Finance, the House should discuss questions of principles rather than details".

Again, the discussion on the Budget and the demands for grants are more devoted to political aspects and to taxation measures proposed than to assessment of governmental efficiency. A substantial portion of the debate generally, revolves round the 'policy' of Government and its administration and little or no time





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TESY-13

is devoted to consideration of different aspects of the Government's expenditure. In this respect, we are no worse off, than, say the House of Commons. Thus the Third report on 'Parliamentary Procedure in U. K.' (1946) said that "the passing of estimates in the Committee of Supply is the formal procedure by which the expenditure of Departments is authorised, but as is well known, this procedure has almost ceased to serve the purpose of financial scrutiny and is used almost exclusively for the criticism of policy and administration."

The debates also reveal the keen interest of the members in "economy" and "retrenchment". Debates in the Indian Parliament have been generously interspersed with motions aiming to bring about retrenchment and economy. An examination of the suggestions made, however, will give the impression that their implementation will cost more to the Exchequer than the resultant economy. Professor Galbraith says about the US Congress that "nothing is ever accomplished of sufficient magnitude to affect appreciably the total spending of the economy and indeed the expectations of non-accomplishment are such that the Congressional discussion of budget-cutting each winter has now assumed the innocent aspect of a folk rite. It begins as the budget time approaches. It reaches full pitch a few days after the budget is submitted. The gods are appeased by stern denunciations of public profligacy and inspired promises of vast economies. The ceremony is solemnly described to the people by press and radio. Thereafter the seemingly indispensable outlays are voted, and the result is more often to increase the budget than to reduce it." This is true of the Indian Parliament also.

Clamour for More Control

Further, the debates also indicate that the Houses are not satisfied with the control that they exercise and clamour for more controls. Not infrequently, statements are made that "Today I must say, having the experience I have, that the control of public expenditure by this Parliament is nil", or that "It is the in-

⁴ "The Affluent Society", 1958; p 188. Lloyd George said in a similar vein a long time ago. "It generally ends in a demand that you should spend more money for something or other".

herent right, it is the fundamental responsibility, of this House to be the watch-dog of the finances of the State. We cannot abdicate this power to government". To remedy this apparent inadequacy of control, various measures, like setting up committees on investments, on contracts and on expenditure, etc., are suggested. Quite often the 'demonstration effect' of other systems proves too attractive and members do not hesitate to suggest the implementation of every new device that is adopted by other countries in their legislative business.

Again, experience of the last ten years shows that the opinion expressed by the House is not always shared by its committees.⁵ The reports of the committees of the House are based on detailed study, while the opinion expressed by a member is usually his own personal estimation of a scheme. But where the view represents a general consensus of opinion in the House, the committees may have to take cognizance of it; otherwise, the debates lose their importance. Finally, a basic weakness of parliamentary debates is that the demands of some Ministries are voted without any discussion. This naturally weakens the control of Parliament over the Governments expenditures.

II

To overcome these shortcomings and to strengthen Parliamentary control, three suggestions have been made by the Estimates Committee. The Committee's suggestions aim to: (i) make parliamentary discussion more effective; (ii) to introduce performance budgeting; and, (iii) to revive the standing Finance Committee. These suggestions may now be considered in detail.

From its own experience, the Estimates Committee felt that it "was not in a position to examine all the Ministries even over a fairly long period."⁶ It, therefore suggested that this could be made up by providing additional opportunity for debates in the House. It

⁵ For example, at a time when a number of suggestions were made in course of the debates to increase the control exercised by the Ministry of Finance, the Estimates Committee (See the second report, 1951) recommended a diminution of the control of the Finance Ministry.

⁶ 20th Report on "Budgetary Reform"; p 26.

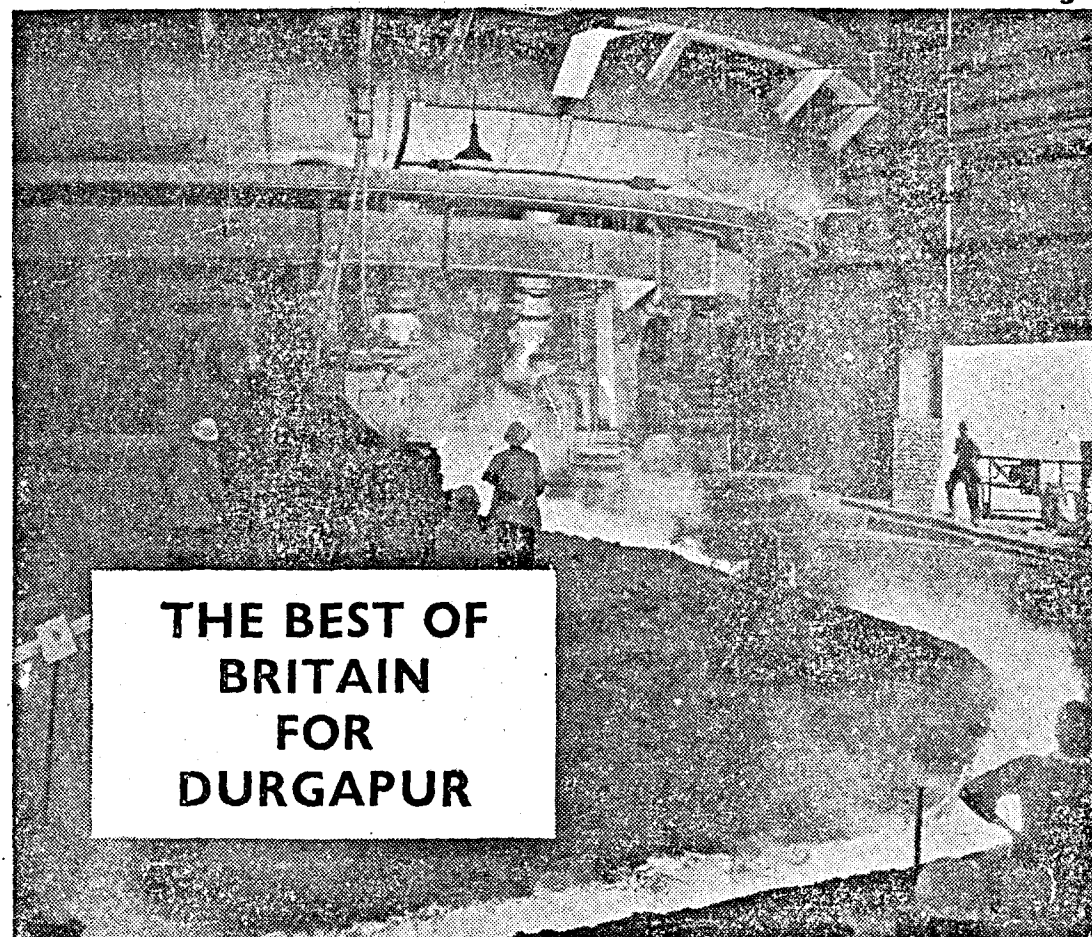
also suggested that various financial aspects of the Budget could be studied by a number of committees set up for the purpose by the House. These committees would submit their findings to the House to enable systematic discussion. This was done in the case of the Second Five Year Plan. This procedure could perhaps be adopted with advantage for discussion of the Budget also since it would enable Members of Parliament to concentrate on certain Ministries. They can then maintain close contact with the Ministers and the officials and get all their doubts cleared. This would make for enlightened criticism of the Budget.

Will Committee System Suit India?

The Estimates Committee's recommendation has not so far been implemented.⁷ Its implementation would have certain implications. First, it will change the present procedure of discussion and convert the sub-committees of the House almost into the equivalents of the Appropriation Committees of the U S Senate. It is a moot point whether such a committee system would fit into the Indian Parliamentary system which is based on the practice in the U K. Second, it may eventually lead to a situation where discreet officials may begin to consult the sub-committees in respect of proposals even before they have formulated the budget with a view to ensuring their acceptance easily. This may well lead to stretching of the invisible hand of Parliament into the sphere of formulation of the Budget proposal. The acceptance of these suggestions is likely to make the Indian system more akin to the committee system of U S the efficacy of which has often been questioned in that country.

The other suggestion made by the Estimates Committee to strengthen Parliamentary control is the introduction of performance budgeting. The Committee recommended that performance budgeting should be introduced gradually. The Speaker of the Lok Sabha has also expressed the opinion that budgetary reform to facilitate better presentation so as to indicate the policy and objectives which a particular expenditure is intended to

⁷ The 60th Report of the Estimates Committee which is a follow-up of the 20th Report, avoids mention of this proposal.



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further, and to show expenditures connected with the Five Year Plans and developmental activities. He also suggested the adoption of the programme and performance system of budgeting. This suggestion may be considered in greater detail here.

Performance Budgeting

Performance budgeting, which was recommended by the Hoover Commission in 1949, essentially consists in the presentation of a Budget based upon functions, activities and projects. The aim was to focus attention on the progress made during the past year so that the Congressional committees could know the progress made as a result of the amounts already spent and, on that basis, allocate the funds for the next year. This technique was intended to provide the answer to the two basic questions posed for the Hoover Commission: (i) What is the desirable magnitude of expenditure on any major government programme and the desirable proportion of total government expenditures to the gross national product? (ii) How efficiently and economically can an approved government programme be executed or can the same amount of work be performed satisfactorily through other arrangements or through improved procedures at less cost? The implementation of this technique, however, ran into difficulties, e.g. (i) it necessitated the treatment of separate programmes even when there was no clear-cut responsibility; and (ii) it proved difficult to provide adequate information about the cost etc. of many of the programmes shown in the Budget. These difficulties led to the abandonment of performance budgeting and the introduction of programme budgeting which is more concerned with the future unlike performance budgeting which is concerned with a review of the past.⁸

The introduction of these techniques in the U S has led to the suggestion that similar techniques be adopted in India. But there

⁸ It is doubtful whether performance budgeting can really be effective. While it may indicate efficiency as expressed by input-output relations, it may not be able to justify the desirability or otherwise of a particular project.

were also objections, based on (i) a strict and, in a way, narrower interpretation of the functions of Indian Parliament; and, (ii) the practical difficulties inherent in the introduction of programme budgeting. It is argued that the background against which these techniques have come to be used in the U S is different from the Indian context. The two questions posed for the Hoover Commission, referred to above, are essentially concerned with economy and the allocation of resources among alternative heads. This work, in the U S, is one which is within the scope of the activities of the Congressional Committees. In the Indian and British systems the fulfilment of these objectives is ensured by the Ministry of Finance of the Treasury. It is a function of the executive. In the U S there is no counterpart to the Ministry of Finance, charged with reviewing every item of work from the financial angle.

Programme Budgeting

The practical difficulties in introducing programme budgeting are also numerous. First, the States which receive substantial assistance from the Centre and which are responsible for the execution of many Plan schemes have their own budgets. Inclusion of these schemes in the Central Programme Budget would be a very difficult and time-consuming job. It would be equally difficult to quantify the different aspects of the schemes. Besides, the introduction of the system assumes the existence of certain pre-requisites: (i) it is necessary to have a system of advance programming of Government operations on a long-term basis; (ii) the end-results of the programmes must be measurable; (iii) the outlay shown in the budget should represent the entire costs; (iv) the programme should be administered by the budgeting authority, and, (v) the total outlay should be capable of allocation between fixed and variable costs. These pre-requisites cannot be taken for granted in India and therefore performance budgeting does not appear to be immediately possible. However, if the intention of the Estimates Committee was that Members should be supplied with all the details of a financial proposal the proper thing to do would be for the Government to supply the maximum information. It may be

stated here that with this end in view, the information supplied to the Members has been steadily enlarged in the recent past, and the Members are given the "economic classification of the Budget" and the "explanatory memorandum" which gives elaborate details including a list of all new items of expenditure which involve an expenditure of more than Rs 5 lakhs.

Another suggestion made by the Estimates Committee was to revive the Standing Finance Committee. A number of Parliamentarians also suggested this.⁹ The estimates Committee recommended that "It might be a distinct advantage both to Government and to Parliament, if this committee is revived. It might have the authority to scrutinise such new items of expenditure above a certain limit as the Government might place before it, before they are included in the Budget. The Committee may, however, be purely advisory and Government need not be bound to accept all its suggestions and criticism."

The Standing Finance Committee

The Committee made this suggestion with the objective of evoking the enthusiasm of Members of the legislature for financial matters and enabling public participation in the drawing up of schemes for inclusion in the Budget. This suggestion, again, is apparently inspired by the example of the Appropriation Committees of the Senate and the House in U S. It is, however, a controversial question whether the committee should be revived in India. The Government has showed itself unwilling to revive the Committee. The main reasons for this are: (a) the Standing Finance Committee was necessary in the past to act as a check on the extravagance of foreign rulers, but does not have a place in the present system; (b) the responsibilities of the legislature and the executive are clear under the Indian Constitution. Initiation of policy is the responsibility of executive and approving it or rejecting

⁹ Speaker A Ayyangar observed in an address to the Estimates Committee, "The Estimates Committee, the Standing Finance Committee and the Public Accounts Committee — all the three put together — discharge all the functions relating the finances of a country as a whole. There is a lacuna now in that the Standing Finance Committee is not there".

it is the duty of the legislature. A preview of the estimates and its acceptance by the Standing Finance Committee would, apart from reducing the control of the House, may make the Committee a sort of a wheel in the coach. It may also lead to overlapping and a consequent blurring of the distinct responsibilities of the legislature and the executive. As for the argument that the formation of a Committee would enable public participation, it is pointed out that there are numerous consultative committees — whose membership includes members of the legislatures also — under each department. They are adequate to ensure public participation.

It is argued, on the other hand, that the abolition of the Standing Finance Committee has resulted in the weakening of the Parliament's control over expenditure. It is also suggested that consultative committees are not adequate substitutes to the Finance Committee since (a) they do not meet regularly; (b) they do not have a competent secretariat; and (c) the functioning of these committees does not receive the same publicity as that of other committees. There is, therefore, growing support for the establishment of a Standing Finance Committee. But the position as it is today is that the Government does not favour the creation of too many Parliamentary Committees and the proliferation of Parliamentary control, which, instead of preserving Parliamentary privileges, may as well endanger them.

No Longer Keen to Cut Expenditure

The preceding analysis shows that the Parliament's control over expenditure is not as effective or adequate as it ought to be. How can it be revitalised without changing the institutional framework? It is generally suggested that Parliamentary control in a democracy is dilatory in nature and that the influence of Parliament is so general and broad that it produces little impact on administration. It is also suggested that Parliamentary control over expenditure is virtually ineffective. As Paul Einzig says, in the context of the U.K., "The improvement of the means for controlling expenditure was followed during the last decades of the century by a decline in the determination to keep down expenditure. Parliament having achieved the means to control ex-

penditure appears gradually to have lost interest in the objective of that control." This statement is in a way correct in the Indian context also.

But unwillingness to reduce expenditures cannot be treated as a sign of weakening of Parliament's will to use its powers to prevent an increase of expenditure. The level of expenditure has to be judged with reference to the needs. With the changed political conditions, the attitude of the legislatures to Governmental expenditure has changed. As the former Finance Minister, Shri C. D. Deshmukh, observed, "Now the Legislatures themselves want the executive to spend more." The emphasis in future should be not on seeking petty cuts here and there, but on evaluation and consideration of the broader economic aspects of expenditure.

How to Make Control Effective

All said and done it is the constitutional right of the legislature to exercise control on expenditure. Two suggestions are offered here to enable the legislature to exercise this right more effectively. To enable participation of every Member in a more informal manner in the discussions, it may be expedient to adopt the House Committee system of the U.K. As the Speaker of the Lok Sabha himself observed once, "the Budget for each year may be referred to a Committee of the whole House." He, however, added that opinion on this matter had not crystallised so far. Meanwhile the sys-

tem has made rapid advances in the U.K. According to an announcement made by Mr R. A. Butler in the House of Commons on July 26, 1960, the strength of the Committee on Estimates has been augmented so that it can examine the principal variations between the estimates for the current year and those for the preceding year. This Committee's report would provide the House with a starting-point for the debate on the Government's expenditure in the autumn session. This procedure is intended to make the debates expenditure-oriented instead of being tax-oriented as in the past. The need for such a system in India requires no special emphasis. It would greatly enhance Parliamentary control on Budget estimates.

Second, in the context of planned development, the core of the expenditure debate should be directed to reviewing the performance of the Government not in terms of its legality or propriety or even the political pros and cons of certain categories of expenditure, but in terms of efficient administration. As Robert Heller says, "Real expenditure control consists not of looking into minor items of executive expense, but of evaluating the administrators' accomplishments." The effectiveness of this change from the 'micro' to the 'macro' approach will, no doubt, depend on the attitude of the Members. But by creating an opportunity, such a change in attitude may be facilitated.

ECONOMETRICA

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Household Industry in 1961 Census

A Rejoinder

G Jagathpathi

STATISTICIAN (*The Economic Weekly*, August 19, 1961) alleges that the Census definition of household industry results in 'inflated figures for both household industry establishments and family workers'. It is, however, not clear whether he means that in the Census tables themselves this kind of 'inflation' will occur — i.e. a household industry or family worker (on the basis of this definition) will be included not only in the tables covering household industry but also in those relating to workers in large establishments. For, internal consistency in the Census Tables is compatible with the possibility that those included in household industry by the Census may have been included in large-scale establishments in the data collected by some other agency. I shall first deal with the Census Tables themselves.

As Statistician is no doubt aware, the Census is concerned with the individual in his residence. In other words, the individual count is limited to households in which groups of people normally live together; in terms of buildings, only those buildings or parts of buildings which are used (wholly or partially) for residential purposes are taken into account. Factory establishments and all other buildings (or parts thereof) used solely for non-residential purposes are not considered at all. This naturally means that a person, when enumerated in the Census, is either placed in the household industry category or in other categories; alternatively, where a person is engaged in more than one occupation, his principal occupation (and, in the case of those with three or more occupations, the second most important occupation also) is also indicated. It follows that, so far as Census Tables themselves are concerned, there will be no inconsistency whatever either in those dealing with the principal occupation or those dealing with subsidiary occupations.

Household Industry : Characteristics

Statistician questions the definition of household industry on another ground, viz., that it does not insist on "single location, control and ownership" as the characteristics of a household industry. According to him the definition is, therefore, inaccurate. Thus, in the case of an establishment which distributes bidi-making among a number of scattered households around it, all those to whom the work is farmed out are supposed to be workers in the factory and the factory is supposed to be "employing" them. "Employ" them it does, of course, in the sense of utilising their services but it is certainly not regular employment comparable to that of a regular factory worker. The head of the household, who takes the raw-material for making bidis, is, really speaking, a 'contractor' on behalf of the household and need not himself work; any one in the family, according to convenience, may do the work; but Statistician would have us count the head of the household as a 'worker' and ignore the rest. Which, in this case, according to Statistician, is the factory or large-scale establishment? Is it the agglomeration of all the scattered households along with the map packing establishment? This is, surely not a tenable view. The point is that both single location and control (of the operation) are essential in respect of household industry while ownership either of the factors of production (those other than labour may be hired and in the case of labour, ownership is always present) or of the final product is not essential. A tailoring establishment does not generally own the final product but is obviously a household industry in many cases. Further, the definitions of 'worker' and 'factory' in the Factories Act taken together make it clear that workers in a household making bidis for a contractor who gives the raw-materials are not 'factory workers' and will not be included in the returns relating to factory workers.

It is a different matter that the 'production' is accounted for in the large-scale establishment but 'the net value added' by the factory is not the total value of the output but only of that part of the processing and packing which take place in the 'factory premises'. In other words, Statistician does not seem to be correct in saying that workers working at home will be accounted for in 'the organised factory sector', whereas, even if workers are employed through contractors but work in the factory premises, they would not be accounted for in the organised factory sector. It therefore appears that there is not likely to be any great discrepancy in respect of workers relating to factories as between the figures of the Census and those of any other agency except for such deficiencies as may arise from the methods adopted, a reference to which is made in paras 2.24 and 2.25 of the Final Report of the National Income Committee.

One final point remains—that relating to the estimation of national income. To the extent that average earnings are concerned, no inaccuracy specifically attributable to the Census will result. In respect of 'net value added', it is important that those dealing with 'net value added' in factories should carefully examine what is included in the 'net value' and see that only the 'net value' attributable to workers employed in the factory premises is included and sample surveys of household industries should similarly deal only with the net value added in the household. If these are kept constantly in mind, the defects in the resulting figures and computations will be only those attributable to operational inadequacies, incompleteness of coverage or the unsatisfactory nature of the sample—these deficiencies are obviously universal though, in an undeveloped economy like ours, they may be particularly glaring.

DIFFERENTIAL BONUS SCHEME ANNOUNCEMENT

The Differential Bonus Scheme has now been finalised and in exercise of the powers conferred by Section 49 of the Life Insurance Corporation Act, 1956, the Corporation has made Regulations classifying the policies issued by the Corporation, and by the various insurers, whose controlled business has been transferred to and vested in the Corporation, for the purpose of declaring Differential Bonuses. The Regulations have been drawn up in consultation with and approved by the Central Government and notified in the Gazette of India.

2. The Scheme is being implemented under instructions from the Government of India and supersedes the Provisional Scheme framed by the Corporation and published in June 1959. The participating Policies of the erstwhile insurers and of the Corporation are now classified in 25 groups instead of the 6 groups under the superseded Scheme.

3. The rates of bonus now declared are as a result of the valuation as at 31st December 1957. The business valued included all the policies which were issued by the Life Insurance Corporation or by the erstwhile insurers and were in force as on 31st December 1957. Out of the gross profits disclosed by the valuation an amount of Rs. 27.56 crores was reserved for distribution to participating policyholders, after providing for the estimated income-tax liability and the Government's share of surplus.

4. The rates of bonus in respect of participating policies issued by the Life Insurance Corporation of India are:

Whole Life — Rs. 16.00 per Rs. thousand sum assured per annum.

Endowment — Rs. 12.80 per Rs. thousand sum assured per annum.

5. As stated earlier the policies of the erstwhile insurers are now classified in 25 different groups.

The policies of the Life Insurance Corporation as well as of certain

insurers included in the same group have been allotted key index No. 10. Each of the other 24 groups has been given an index number and the ratio thereof to 10 indicates the proportion which the bonus rates applicable to the group bear to the bonus rates of the group which has the key index No. 10. The bonus vests immediately.

6. For the purpose of illustration, the bonus rates applicable to policies of some of the erstwhile insurers are shown below:

Name of the Unit	Index No	Rate of bonus per thousand per annum	Whole Life	Endowment
Bombay Mutual	11	17.60	14.08	
Hindustan Co-op.	10	16.00	12.80	
National Insurance	10	16.00	12.80	
New India	11	17.60	14.08	
Oriental Govt. Sec.	12	19.20	15.36	

7. The classification adopted in the new scheme will also apply to bonus allocations at future valuations. The new scheme will not apply to policies which have resulted into claims by death or maturity after 31st Dec. 1957 but before 15th Oct. 1961. For these policies bonuses are payable on the basis of the Provisional Scheme.

Full details of the L.I.C. Differential Bonus Scheme and names of Units in various groups are being published in the following papers:

Times of India, Bombay/Delhi
Statesman, Calcutta/Delhi
Hindu, Madras

14-10-61 Economic Times, Bom
14-10-61 Hindustan Times, Del
14-10-61



Life Insurance Corporation of India

Business Organisation and National Integration

Nitish R De

In a very tangible way, the personnel pattern of business organisations has, during the past years, visibly contributed towards a feeling of national desiccation.

The outcome would have been different had there been much greater social mobility than there is today.

Evolution of a generally acceptable pattern of culture, language, and custom — not a complete merger but what is commonly known as "unity in diversity" — would have softened the harshness of a parochial employment policy.

Had the captains of industry pursued right from the beginning a policy of fair-mindedness in staff recruitment, chances are that we would have been spared much of our worries today.

The cancerous ramifications of a parochial employment policy are now writ large for all to see. Host of subsidiary and feeder industries — small and medium scale — and business, particularly on sales side, have sprung up around major undertakings and here also there is a pronounced tendency to patronise people of the same tribe as the "big bosses" of major undertakings.

There is, in fact, a "chain tribal effect" — there are tribal charity trusts, tribal education foundations, tribal hostels and so on.

Indianism is thus a mere euphemism!

THE title of this article may appear rather curious, even odd, although, thanks to the recent happenings in U P, the Punjab, Bhopal, Jabalpur, Goreswar and Silchar, the entire country has now been actively exercised over the question of National Integration. Forces of disruption in the shape of casteism, communalism, linguism and provincialism have almost succeeded in reducing Indian Nationalism into a state of atavism. That after thirteen years of the end of foreign domination, a national emergency should force us to set up a National Integration Committee and that its deliberations should get precedence even at the highest level of policy-makers over so many issues of paramount importance is indeed a sad commentary on the present state of affairs. This unhappy development has also dispelled an illusion built up over many long years that the British administration had at least achieved one thing: "unity in diversity" and political affinity among the millions who inhabit this land. What the creation of Pakistan could not do the recent happening has done — it has made us painfully aware that our nationalism is a frothy effervescence, signifying nothing truly immutable.

Get Down to Brass-Tacks

The question of National Integration can be dealt with at a high level of abstraction. But obstacles appear as soon as we get down to brass-tacks. It is our intention to

get to grips with one aspect of the concrete question, viz, the pattern of distribution of higher category of jobs in the private sector during the course of past one decade or so, when thanks to large-scale national outlay, industrial ventures have had a tremendous spurt.

Our indigenous pioneers in industry, keeping a respectable distance and with an inevitable time-lag, did exactly what the British Managing Agency Houses had been doing in this country for a long time. Most of the British industrial and commercial ventures in India are Scottish in origin. And it was no accident but a matter of deliberate policy that the executive and technical staff were mostly Scotsmen throughout their trading operation in India. The jute textile industry provides a typical illustration. From managing director down to the shop-floor assistant, each foreign employee has been and continues to be a Scotsman, more particularly a Scotsman hailing from Dundee or a nearby village. Exceptions are rare. Preponderance of Scottish influence in trade and industry is also reflected in the Chambers of Commerce and Industry. In one of the oldest Chambers of Commerce, in Calcutta, almost all the top foreign executives still happen to be the sons of Scotland. The higher public services did not — in fact, could not, because of public examination system — run into such narrow grooves. In the private sector, however, the

employment policy continued to be guided by the sectarian considerations of clan, community and region.

Hang-over from the Past

This aspect of colonial mercantile life found ready response in the policies of indigenous industrial and commercial organisations. An industrial empire built by a Parsee or a Marwari or a Bengalee or a Punjabi or a Chettiar, without an exception, continues to be manned in its higher and middle echelons by personnel belonging to the same community or province as the founder of the empire and this is true, even in branch offices or factories situated in far-flung parts of the country. The limit to this employment policy is set by two factors:

(a) Technical considerations, at times, compelled entrepreneurs to recruit executives from outside the communal sphere, just as the Marwari jute mill owners in Bengal did a quarter of a century ago by recruiting Scottish experts, and

(b) The growing importance of contact, liaison and public relations work often leave the big bosses with no option but to employ such persons as are gifted with live-wire contacts at New Delhi or other State capitals.

The impetus provided by the huge outlay of the Plans has accelerated the polarisation of the recruitment policy, arousing an undercurrent of resentment among the non-privileged. That one is an Indian

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enjoying "equality of status and opportunity" as held out in our Constitution is a mere legal fiction, the reality being the accident of birth, by which a person born in a community advanced in business and industry can secure a life of affluence and ease in the private sector. In fact, a vicious circle has developed. A Jewish industrialist or a Borah business magnate has now an excuse for staffing his organisation exclusively with men of his community, since these persons are being denied employment opportunities elsewhere. It is, therefore, almost certain that had there been half-a-dozen Anglo-Indian industrial tycoons in India, there would be no exodus of Anglo-Indians to the UK, East Africa, Australia and Canada. In recent years, thanks to out-right purchase and often, surreptitious cornering of shares, many an established business house has passed into Indian hands and almost invariably the administrative set-up, (including Indian executives) has been replaced gradually by personnel belonging to the same tribe as the Managing Agent.

Justification for Regionalism

In a certain sense, there is some justification for regionalism in recruitment policy. Subordinate staff with indigenous social and cultural ties and the facilities of local language, in addition to their lower salaries, can justifiably lay claim to a policy of recruitment of sons of the soil. Thus, an industrial house, to cite an instance, can surely recruit local Parsees in Bombay to man subordinate cadre of employees. By the same token, bright and eligible university graduates should get opportunity to seek employment in higher cadres in establishments situated in their home state. But, instead, considerations of caste, community and nepotism have gained a premium to such an extent that most of the Indian industrialists do not now-a-days hesitate to import people of their own tribes to places hundreds of miles away from their home towns to fill up high and low vacancies in preference to local talents. In short, they have followed in the footsteps of their Scottish predecessors. In the UK, however, such a parochial policy did not cause any embarrassment because of the vastly enlarged employment avenues offered by a far-flung empire.

In India, the reaction has become understandably vocal and even violent. In fact, in a very tangible way, the personnel pattern of business organisations has, during the past years, visibly contributed towards a feeling of national desiccation. The outcome would have been different had there been much greater social mobility than there is today. Evolution of a generally acceptable pattern of culture, language, and custom—not a complete merger but what is commonly known as "unity in diversity"—would have softened the harshness of a parochial employment policy. Had the captains of industry pursued right from the beginning a policy of fair-mindedness in staff recruitment, chances are that we would have been spared much of our worries to-day. After all, the cancerous ramifications of a parochial employment policy are now writ large for all to see. Host of subsidiary and feeder industries—small and medium scale—and business, particularly on sales side, have sprung up around major undertakings and here also there is a pronounced tendency to patronise people of the same tribe as the "big bosses" of the major undertakings. There is, in fact, a "chain tribal effect"—there are tribal charity trusts, tribal education foundations, tribal hostels and so on. Indianism is thus a mere euphemism!

Parochial Outlook

Unfortunately, the public services, generally free from this odium, are also likely to fall victim to this parochial outlook. In defence services, perhaps, preference is shown to those young aspirants for commissioned ranks who can claim relatives in the services. In the UK this has long been an accepted custom, possibly its trail is still there. But, in the present situation in the country, it would be a grievous error to entertain any such favoured treatment. The examination system has stood the test of time in regard to the All India and Central Services examinations and the Union Public Service Commission has, for all these years, steered clear of any influence or pressure. In the past, however, there used to be a lot of nepotism and favouritism even in Government employment—particularly in subordinate services in the Railways Central Secretariat, Civilian establishments of Defence Services and so on. It would be

difficult to believe that the system has completely been eradicated. A back-wash may still be there.

As we had occasion to mention earlier, we do not decry regionalism in employment particularly in subordinate services in both public and private sectors. While this is being followed in Government services, in the private sector, the tribal spirit is very much on the ascendency.

No Love for the Community

Some States, however, have started boosting provincialism in the guise of encouragement to regionalism. To cite an instance. However well qualified and eligible a person may be, he cannot hope to get employed as a Welfare Officer in an industry in Bihar, unless he can obtain a certificate from the State Labour Commissioner. The implication of this innocuous-looking rule is obvious. The agitation, which took a violent turn, over employment policy at the Nunmati refinery in Assam is another typical instance.

Recently, some have suddenly become conscious of an age-old phenomenon that crores of rupees go out of West Bengal every year by way of remittances to homes of non-Bengalees in service and business. It is not merely a symptom of the love for one's community but is fraught with dangerous possibilities damaging National Integration. The truly national objective should be to give a go-by to regionalism, casteism and tribalism in the recruitment to superior posts in the private sector of trade and industry. The whole of the country should be treated as a unit and objective unbiased tests should be evolved in selection of right personnel. Vested interests in trade and even in Government will most certainly oppose such a re-orientation of policy but the present crisis in our national life demands such a drastic shift in policy.

Employment Exchange Evaded

The Compulsory Notification of Vacancies Act is an extremely feeble measure to combat the demon of tribalism. Apart from the institutional inadequacy of the national employment service organisation which enables unscrupulous employers to evade the provisions of law with impunity, the scope of the enactment is patently inadequate to meet the challenge of anti-national

recruitment policy. The fundamental requirement, as we find it today, is not merely to collect statistics of jobs falling vacant under different agencies but to infuse a spirit of fair-play and justice in the filling up of the vacancies.

We have, let us admit, argued

our case from a narrow angle in the perspective of the wider question of National Integration. We did not pursue the line that with rapid industrialisation of the country, with or without special stress on labour-intensive industries, the optimum employment potential could be secured in a five-year period. For our purpose it is irrelevant whether the Third Plan would clothe and feed 15 or 17 million more people. Our object is humbler: a study of the recruitment policy pursued by business organisations and its impact on the question of National Integration.

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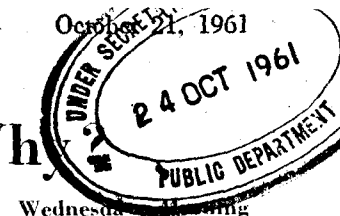
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Around Bombay Markets

Concern about Cotton Prices—Wh



COTTON futures (March contract) which had touched a high of Rs 633 per 3 quintals on 11th October were sold down to Rs 621 on the 17th. It is not that the market had responded to Shri Madanmohan R Ruia's call to the trade to keep the rising trend in prices under check. Technical considerations apart, it was the favourable turn in the weather which obliged bulls to beat a hasty retreat. In his appeal, which was more in the nature of a warning, to the members of the East India Cotton Association, Shri Ruia, the President, conceded that unseasonal rains, the effect of which could not be clearly envisaged at this stage, had resulted in the price of the hedge contract rising appreciably during the last two weeks but reminded the trade that the Forward Markets Commission had to ensure that the prices did not rise to undue heights in the interests of the overall economy of the country. Shri Ruia said that it was the responsibility of the trade to apply brakes sufficiently in advance of the ceiling prices if it wanted to enjoy the present freedom of operation in futures without restrictive measures.

But the trade can scarcely be blamed for pushing up prices if the crop gets damaged by unseasonal rains. And why worry about prices so long as they are below the ceiling rates? Do not ceilings imply that prices can rise to those levels but no further? Action needs to be taken at times to enforce stricter discipline on the market when speculation tends to assume unhealthy proportions. But that is a different matter. Why invoke the Forward Markets Commission when the market authorities themselves have sufficient powers to enforce discipline. It seems odd that Shri Ruia should have warned the trade against possible intervention by the Forward Markets Commission when the E I C A, of which he is the President, has not so far felt the need of imposing any measures to restrain speculative activities. Besides, the rising trend in prices cannot be checked by cur-

bing speculation when the rise is due to an imbalance between demand and supply. The Commission is known to have played havoc with forward markets in the past but that never made the spot material any the less costly and it is really the spot material which matters.

Prices Recede

To come back to the market story, cotton futures last week suffered a sizable set-back due to considerable bull liquidation and some bear pressure because of the favourable turn in the weather which has encouraged most market men to talk of a crop of 50 lakh bales. If these expectations materialise cotton prices should keep well below the ceiling rates, provided, of course, the Government accepts the Cotton Advisory Board's recommendation to import 11 lakh bales of cotton during the current season. The U S Secretary for Agriculture, Mr Orville Freeman, is reported to have stated at his Press Conference in New Delhi that while he could not commit his Government at present to India's request for the supply of 20 lakh bales of cotton under P L 480 to serve as buffer stocks, America would consider sympathetically India's request for sizable imports.

The spot cotton market was generally dull and subdued as buyers preferred to keep off the market in view of the improved weather conditions. Most mills are well covered in respect of their raw material requirements and they would not like to make further large commitments if they could be sure of continued good weather in the coming weeks. Only Vidarbha and Madhya Pradesh have been badly hit by unseasonal rains; crop reports from other centres are quite satisfactory and production in the Punjab is said to be nearly 2 lakh bales more than in the previous season. That explains why Bengal Deshi prices continue to be easy after the release of a large export quota. Export business continues to be restricted and sales registered to-date are placed around

30,000 bales only. Prices offered by overseas buyers are not attractive; nor is the demand very keen.

Cotton Statistics

Mill consumption of cotton in August is placed at 3.94 lakh bales of Indian cotton and 0.89 lakh bales of foreign cotton, raising the respective totals for the 1960-61 season to 42.46 lakh bales and 11.27 lakh bales. The corresponding figures for 1959-60 were 44.19 lakh bales and 6.86 lakh bales. Stocks with mills at the end of August consisted of 14.13 lakh bales of Indian cotton and 3.97 lakh bales of foreign cotton as against 9.62 lakh bales and 4.04 lakh bales at the end of August 1960. The carry-over at the end of the season is placed at 18.02 lakh bales of Indian cotton and 2.79 lakh bales of foreign cotton, the corresponding figures for the previous season being 9.93 lakh bales and 4.04 lakh bales.

New Delhi's decision allowing mills to import 25,000 bales of cotton stapling 1-1/16" and above from any area against their retention quotas has had a mixed reception. The announcement had been long overdue and mills had already booked business for prompt shipment. But the quota stipulates shipment only with effect from January. Besides, mills are not satisfied with the quantity that is being allowed to be imported.

Oilseeds

Sharp Fall in Groundnuts

WHILE the Government has still to make up its mind about the export policy for groundnut H P S, expellers and oil, movement of the new groundnut crop which is known to be a bumper one has already begun. The pressure of arrivals is bound to increase with time. Prospects of improved supplies in the very near future have scared away buyers of ready oil which has declined by about Rs 1.50 per 10 kgs in a matter of a few days. Little wonder therefore that groundnut futures (January Contract) which had recovered to Rs 203 per 250 kgs by 14th October

were sold down to a new low of Rs 195.37 on the 17th. Groundnut oil January declined from Rs 16.55 to Rs 15.80 during the same period. Linseed merely followed groundnut with the March contract easing from Rs 36 to Rs 35.22 — a new low for the season. After rallying from Rs 158.25 to Rs 159.62 castor March eased to Rs 157 and wound up the week at Rs 157.50. Cottonseed futures eased from Rs 95.25 to Rs 92.50 in sympathy with cotton futures. Speculative interest centred mainly on groundnut. Castor futures were virtually neglected.

Export Policy

The trade is very critical of the delay in the announcement of export policy for groundnut oil, groundnut HPS and expellers. It is high time that uncertainty in this regard is set at rest. May be, the Government wants to announce the policy when the new crop movement gets into full swing and oil can be secured more cheaply than at present. Reports persist that the State Trading Corporation has effected further sales abroad of groundnut oil. It is considered likely that the export of groundnut HPS will be handled mainly by the S T C and the trade will be permitted to export only small quantities. The export of groundnut expellers is being strongly opposed by extraction manufacturers on the plea that the export of expellers would disturb the market for extractions. Exporters did not report any important fresh business in groundnut extractions last week. Overseas quotations did not show any noticeable variations from the previous week-end levels but inquiries were extremely poor. Buyers are inclined to hold off the Indian market in the hope of cheaper supplies as a result of increased crushing in coming weeks when the crop movement gathers momentum. The quotation for January-March shipment was placed around £ 27-7½ per ton near the week-end.

Hardly any business was reported in castor oil and exporters are not hopeful of selling in quantity in the foreseeable future, the UK quotations were mentioned around £ 112-10 for Commercial and £ 119-10 for BSS whereas sellers quoted £ 2 higher. The U S has not purchased any castor oil from

India this year and off-take by Communist countries is also less than in 1960. Since Brazil is reported to have agreed to sell substantial quantities of castor oil to Russia for 3 years, exports of Indian castor oil to the Communist block are expected to receive a sizable set-back. If castor futures have continued to hold relatively steady despite the pronounced weakness in groundnut, it is because castor oil is far too cheap in relation to groundnut oil and linseed oil and this has led to a marked increase in internal consumption of castor oil. While groundnut oil is quoted around Rs 18 per 10 kgs and linseed oil is quoted at Rs 16.20, castor oil is available around Rs 13.20. Export business in linseed cake continues to be at a standstill because of the lack of confidence in the quality of Indian cake.

Stock Exchange

Digesting Gains

EQUITY prices last week showed a sprinkling of small losses all-round. The set-back was due more to corrective profit-taking and lack of fresh bull support than to any important bear selling. Barring a few isolated spells of activity, Dalal Street wore a dull appearance most of the time. The closure of the Calcutta market for Puja holidays has perhaps had a restraining effect on market activity and trading sentiment though, the remarkable steadiness in Hindustan Motors despite the lock-out has intrigued many. After easing from 143.43 to 142.03 Vyapar's equity share index rose to a new high of 143.95 on 14th October — this was due essentially to the spurt in Dharamsi Chemicals — but declined sharply to 141.92 on the 17th and closed at 142.47 the same day.

No market can keep moving in any one direction for too long without making its technical position suspect. Dalal Street had been moving up since the end of August and it had indeed gone quite a long way. It was only to be expected that it should take some rest and try to gain fresh strength before pushing its way further up. Last week's hesitancy and the small set-back in equity prices seem quite normal and the market could easily lose further ground while the pro-

cess of technical adjustment is underway. How long this technical correction might continue and how far equities might go down in the process are difficult to forecast.

Bears who consider the recent recovery from the August low level to be a correction of the huge decline between June and August take the view that the market has now resumed the downward trend which implies that the market will break through its August low in due course of time. This, however, seems very unlikely.

Bullion

Subdued Tendency

BULLION futures last week fluctuated irregularly in a narrow range with a subdued tendency. Spot houses reported continued large arrivals, particularly of silver, though off-take was not unencouraging. With arrivals continuing to exceed off-take, bulls were in no mood to support futures which drifted lower despite lack of any important selling pressure. Gold Magsar delivery eased gradually from Rs 125.80 to Rs 124.95 and closed a little better at Rs 125.10 per 10 grams. Silver Magsar declined from Rs 207.10 to Rs 205.70 and Tuesday's closing rate of Rs 205.80 showed a net loss of a rupee per kilogram over the week. While prices suffered moderate losses over the week, the discount on spot metals showed a noticeable decline. Spot gold which was quoted at a discount of 75 nP on the Magsar delivery rate at the previous week-end was quoted only 25 nP lower at the end of last week. The discount in spot silver fell from a rupee to 80 nP per kilogram.



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Company Notes

SHARP RISE IN MORARJEE MILLS' PROFIT

HOW out of tune the disappointing results of Khatau Makanji for the year ending June 30, 1961 were with the general rising trend in the textile industry is again highlighted by the performance of Morarjee Goculdas whose profits have recorded a sharp rise during the year. Morarjee Mills' profits have increased by Rs 1.04 crores, or 27 per cent, to reach a new high of Rs 4.98 crores and gross profits by nearly 50 per cent to Rs 61.34 lakhs. The ratio of profit to sales has consequently risen from 10.43 per cent to 12.32 per cent.

The higher profit has earned a larger commission of Rs 4.38 lakhs for the managing agents, against Rs 3.25 lakhs. The provision for depreciation has been raised from Rs 11.91 lakhs to Rs 15.91 lakhs following the substantial additions made to the fixed assets during the year and the provision for taxation has also increased from Rs 10 lakhs to Rs 16.50 lakhs. The net profit after these allocations amounts to Rs 24.55 lakhs representing an increase of Rs 8.62 lakhs over the previous year. This gives an earning of Rs 45.5 per share on the ordinary capital, after providing for preference dividend liability, and provides a cover of nearly two times to the proposed dividend of Rs 24 per share, which has been stepped up from 21½ per cent paid for each of the previous two years.

The appropriation account shows that as much as Rs 10 lakhs or over 40 per cent of the net profit has been ploughed back into the reserves. This includes Rs 4.50 lakhs added to the development rebate reserve, against Rs 3.15 lakhs added in the previous year, and Rs 5.50 lakhs to the general reserve, against Rs 2.50 lakhs. Including the depreciation provision, the total amount retained in business is Rs 25.91 lakhs or more than 42 per cent of the gross profit.

The policy of retaining as much as possible when the going is good has enabled the company not only to strengthen its finances but to self-finance its programme of modernisation. The company has not raised any capital other than that originally issued, except through capitalisation of reserves. Thus, out of the paid-up capital of

Rs 69 lakhs, as much as Rs 51.75 lakhs represent capitalisation of reserves, including the entire preference capital of Rs 17.25 lakhs. Even after such large capitalisation, the reserves and surplus as at the end of June 1961 stand at Rs 62.15 lakhs. Barring a small outstanding of Rs 2.50 lakhs, the entire borrowings at the end of 1959-60, amounting to Rs 65.83 lakhs, have been repaid. The current liabilities and provisions aggregate Rs 75.16 lakhs, against which the current assets amount to Rs 114.44 lakhs. The gross block of the value of Rs 3.25 crores has been written down by over 70 per cent to Rs 94 lakhs.

Bombay Burmah Earns More

THE management of the Bombay Burmah Trading Corporation Ltd has made a welcome departure this year by announcing in advance the preliminary results of the company's working during the year ending May 31 1961. These show that the gross profit, after providing for Secretaries' and Treasurers' remuneration, has risen by Rs 16.57 lakhs to Rs 148.50 lakhs. This follows the rise of Rs 37.91 lakhs in the previous year and has lifted the profit in the past two years by nearly 58 per cent from Rs 94.02 lakhs in 1958-59 to Rs 148.50 lakhs, in 1960-61. The provision for depreciation is Rs 26.59 lakhs, against Rs 26.68 lakhs last year, and the tax provision has been increased from Rs 48.20 lakhs to Rs 59 lakhs. As a result, net profit has risen by only Rs 5.86 lakhs to Rs 62.91 lakhs.

The directors have transferred Rs 3.18 lakhs (Rs 2.44 lakhs for 1959-60) to the development rebate reserve and Rs 22.62 lakhs (Rs 15.76 lakhs) to the other reserves. The total amount ploughed back thus amounts to Rs 25.80 lakhs or 41 per cent of the net profit. Such large allocations have not, however, affected the distribution to the shareholders; on the contrary, the dividend has been stepped up from 30 per cent to 33 per cent for the whole year. The dividend is covered 1.4 times by the net profit.

With the addition of Rs 1.48 lakhs brought in from the previous year, Rs 2.81 lakhs transferred from

the reserves and Rs 4.35 lakhs being the income attributed to the previous years, the total amount available for distribution is Rs 45.78 lakhs, an increase of Rs 4.15 lakhs over the previous year. Out of this, the dividend, will absorb Rs 44.14 lakhs against Rs 40.12 lakhs distributed last year, leaving a surplus of Rs 1.61 lakhs to be carried forward.

Montecatini to Collaborate with Four Indian Firms

MONTECATINI is a name not unknown in India. As one of the largest industrial combines in Italy, it has world-wide interests, with plants for the manufacture of fertilisers, basic and organic chemicals, plastics, non-ferrous metals, explosives, dye-stuffs, man-made fibres, etc. In India Montecatini is already collaborating with three firms — one manufacturing aluminium, and two dyes. In aluminium it has a collaboration arrangement with Madras Aluminium and in dyes it is associated with Indian Dyestuff and Amar Dye-Chem.

The total capital investment of Montecatini in India amounts to Rs 3 crores. This will be enlarged substantially if the fresh collaboration arrangements, now under consideration, are approved by the Government of India and if the industrial schemes, to which the arrangements relate, take shape. The Italian firm proposes to assist four Indian companies in setting up plants for the manufacture of polypropylene plastics, industrial and mining explosives, methanol and formaldehyde and polystyrene resins. In all the four cases, new Indian companies will be formed and Montecatini will subscribe to 50 per cent of the capital. In addition to investing in the capital of the companies, the Italian firm will also arrange for loans from Italian banks to finance the cost of the plant and machinery. Applications for industrial licences have been made by the Indian companies, except in the case of the polystyrene project, for which the Indian partner concerned has yet to make an application.

The polypropylene plastic plant will be set up in Bombay with an initial capital outlay of Rs 10 crores. This will later on be raised to Rs 15 crores in the second stage. Polypropylene plastic has very

wide uses. In addition to making moulds, sheets, etc, it can be used as man-made fibre and blended with cotton, silk or wool. The capacity of the plant will be 7,000 tonnes per annum. The technical know-how will be supplied by Montecatini without receiving any payment.

The industrial and mining explosive project will involve a capital outlay of Rs 7 to 8 crores in the first stage and Rs 9 to 11 crores in the second stage. The location of the plant has not yet been finalised.

The methanol and formaldehyde plant will be located where cheap refinery naphtha fraction is available. The project will involve an outlay of Rs 6 crores and the capacity of the plant will be 100 tons of methanol, from which 40 tons of urea formaldehyde will be obtained.

The polystyrene resins project will have a capacity of 5 tons per day. The capital outlay is estimated at Rs 5 crores. The plant will be located in Bombay or Gujarat.

Mukand Iron's Expansion Schemes

THE expansion programme undertaken by the Mukand Iron and Steel Works Ltd will cost an additional Rs 3.50 to 4 crores. While the mode of raising this sum is yet to be decided, Shri Kamalnayan Bajaj, the Chairman, indicated at the annual general meeting of the company held on Friday last that about Rs 1 crore might be raised through issue of equity shares. Meanwhile, the company proposes to issue new equity capital of Rs 10 lakhs.

The company has many projects in view, but its activities will, for the present, be restricted so as to be able to produce a complete range, from raw material to the finished product. While the raw material problem is being tackled by both the Government and the company, and there is a distinct improvement Shri Bajaj felt that the shortage was likely to continue for some time more.

The company is planning to put up a new wire rod mill along with a 20-ton electric furnace at Kalwe. The output of this furnace is expected to meet half of the company's requirements of billets for re-rolling.

A preliminary project report has been submitted to the ICICI, from which the company is seeking a fresh loan.

The third furnace of 4½-ton capacity at Kurla, largely fabricated by the company itself, is almost ready. There has been some delay in commissioning it on account of power shortage. The foundry is being expanded along with the increase in melting capacity and an output of 750 tonnes per month is expected to be reached by the end of 1962 and of 1,000 tonnes by 1963.

The expansion schemes include the setting up of six electric furnaces of 20 to 25 tonnes capacity. In order to meet the demand for thinner sections, the rolling mills are being fitted with additional equipment and this is expected to be commissioned shortly.

New Central Jute Mills Company, Limited

Regd. Office : 11, Clive Row, Calcutta - I

Notice

NOTICE is hereby given that the Annual General Meeting of the Shareholders of the Company will be held on Thursday, the 9th November, 1961, at 11.30 A.M. at the Registered Office of the Company at 11, Clive Row, Calcutta, to transact the following business :-

- (1) To receive and adopt the Directors' Report and the audited Accounts for the year ended 31st March, 1961.
- (2) To declare dividends.
- (3) To appoint a Director in place of Shri M. L. Shah who retires by rotation and has attained the age of 65 years on 1.9.1959 and, in this connection, to consider and if thought fit to pass the following resolution of which a special notice as required by Sections 281 and 190 of the Companies Act, 1956, has been received by the Company, and is hereby given by the Company to its members :

"Resolved that pursuant to the provisions of Section 281 and other applicable provisions, if any, of the Companies Act, 1956, Shri M. L. Shah, who has attained the age of 65 years and retires by rotation be and is hereby reappointed a Director of the Company and it is hereby specifically declared that the age limit for Directors prescribed under Section 280 of said Act shall not apply to him."

- (4) To appoint Auditors for the current year and to fix their remuneration. The retiring Auditors, Messrs. N. C. Jain & Co., Chartered Accountants, being eligible, offer themselves for re-appointment.

THE ECONOMIC WEEKLY

Estrela Batteries

THE Chairman of the Estrela Batteries Ltd, Shri Pannalal Bansilal Pitty, has struck a note of optimism about the outlook for the company. The demand for the company's products, such as radio batteries, torches and bulbs, is increasing, thus enlarging the scope for further expansion. While the increase in excise duty on new materials like zinc, under the latest Finance Act is expected to increase the cost of production, the Chairman assures that every effort is being made to minimise its effect on the ultimate result by expanding production.

The company has utilised its full capacity and, in order to meet the growing demand, the capacity has to be raised. The application for permission to raise the output to 25 million cells per annum is approved.

As Special Business :-

- (5) To consider and if thought fit, to pass with or without modification the following resolution which will be proposed as a special Resolution :-

"Resolved that pursuant to sub-sections (4) and (7) of Section 309 of the Companies Act, 1956, and subject to the provisions of Article 100 and other provisions of Articles of Association of the Company, the members of the Company hereby authorise continuance of payment to the Directors of the Company and each of the Directors be and is hereby authorised to continue to receive in respect of each of the five financial years of the Company upto and including the financial year ending on 31st March, 1966 a share of commission of 1% of the net profits of the Company computed in the manner referred to in sub-section 198 of the said Act."

By order of the Board,

For New Central Jute Mills Co., Ltd.,
For Sahu Jain Limited,

A. P. Jain
Director.

Managing Agents.

Calcutta, 7th October, 1961.

N.B. A member entitled to attend and vote, is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.

An explanatory statement pursuant to the provisions of Section 173 of the Companies Act, 1956, has been forwarded along with Notice issued to the members of the Company.

THE ECONOMIC WEEKLY

CURRENT STATISTICS

BANKING RETURNS

(Rs crores)				
Reserve Bank	Oct 13	Oct 6	Sept 15	Oct 14 '60
1 Note circulation	1906.13	1891.49	1889.46	1808.64
2 Rupee coin	125.55	126.15	125.48	130.43
3 Deposits	294.27	291.47	348.38	294.89
(a) Central Govt	61.07	65.15	73.53	52.68
(b) Other Govts	3.98	4.68	38.16	43.80
(c) Banks	82.10	72.47	78.66	110.16
(d) Others	147.12	149.17	158.03	88.25
4 Foreign securities	116.86	116.86	116.86	123.01
5 Balance abroad	10.02	13.60	17.78	17.84
6 Rupee securities	1558.86	1548.80	1548.65	1451.84
7 Investments	181.71	191.59	261.18	246.73
8 Loans and advances to Govts	63.37	57.04	49.45	26.24
9 Other loans and advances	136.18	139.14	136.96	128.58
Scheduled Banks	Oct 6	Sept 29	Sept 8	Oct 7 '60
1 Aggregate liabilities	1871.18	1877.71	1868.30	1919.94
2 Aggregate deposits (net)	1793.19	1801.10	1792.00	—
Demand (net)	717.45	721.53	716.61	772.75*
Time (net)	1075.74	1079.57	1075.39	1147.19†
3 Cash in hand	45.62	43.48	44.60	48.47
4 Balance with Reserve Bank	74.92	73.20	73.87	101.70
5 (3) + (4) as % of (1)	6.44	6.21	6.34	7.82
6 Borrowings from Reserve Bank	16.40	11.07	14.98	30.58
(a) Against usance bills and/or promissory notes	7.83	5.35	5.49	8.31
(b) Others	8.58	5.73	9.49	22.27
7 Advances	1056.86	1050.14	1076.64	970.21
(a) State Bank	233.67	231.46	232.18	204.06
(b) Others	822.99	818.68	844.46	766.15
8 Bills discounted	129.92	124.58	110.40	102.24
(a) Inland	47.39	46.01	44.37	49.07
(b) Foreign	177.31	170.59	154.77	151.31
(c) Total	10.90	11.01	13.11	9.83
(i) State Bank	166.41	159.58	141.66	141.48
(ii) Others	65.95	65.01	65.91	58.41
9 (7) + (8c) as % of (1)	65.95	65.01	65.91	58.41
10 Investment in Govt securities	611.65	617.84	610.67	718.71
(a) State Bank	256.28	261.29	259.30	360.86
(b) Others	355.37	356.55	351.37	357.85
(10) as % of (1)	32.69	32.90	32.69	37.43
Cheque clearance	191.63	214.22	230.22	232.23
* 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 cent per annum)

(Selected Scheduled Banks other than the State Bank)	Oct 6	Sept 29	Sept 8	Oct 7 '60
Call Money from banks	4.57	4.17	3.79	3.96
Deposits:				
Seven days	3.00	3.00	3.00	2.00
Three months	—	—	—	3.50
Six months	3.75	3.75	3.75	3.47

Bombay Bullion (Rs and nP)				
(per 10 grammes)	Oct 18	Oct 12	Sept 21	Oct 20 '60
Spot	124.95	125.10	125.65	113.15
Forward	125.10	125.55	125.50	115.40
Silver (per kilogram)				
Spot	205.50	205.85	204.30	192.00
Forward	206.10	206.85	205.55	194.55

INDEX NUMBER OF WHOLESALE PRICES

(Base : 1952-53 = 100)

	August 1961	July 1961	June 1961	August 1960
Food Articles	124.3	124.2	120.6	123.9
Cereals	105.0	104.1	101.9	109.1
Pulses	90.6	91.3	90.6	93.7
Fruits & Vegetables	184.6	147.5	126.1	134.7
Milk & Ghee	116.4	119.1	118.6	118.7
Edible oils	159.0	165.5	163.3	148.0
Fish, Eggs & Meat	141.6	139.0	128.2	127.0
Sugar & Gur	124.6	123.2	123.7	140.0
Others	183.4	184.2	181.1	170.0
Liquor & Tobacco	99.9	98.6	100.1	106.7
Tobacco	96.4	95.0	96.6	105.0
Fuel, Power, Light & Lubricants	121.6	121.7	121.7	119.7
Industrial Raw Materials	144.6	131.4	148.8	137.0
Fibres	137.7	158.5	150.6	134.1
Oilseeds	162.7	165.4	160.5	147.0
Minerals	94.9	95.2	95.2	98.2
Others	126.9	126.9	126.9	125.9
Manufactures	126.1	127.4	125.8	122.8
Intermediate Products	140.9	141.9	139.7	131.0
Finished Products	123.7	125.0	123.3	121.1
Textiles	124.8	126.6	124.8	123.5
Cotton	127.5	127.5	126.2	131.1
Jute	121.1	130.5	125.1	115.1
Woolen	123.1	123.3	123.7	110.1
Silk & Rayon	118.0	119.1	116.5	102.0
Metal products	147.1	147.1	147.1	146.8
Chemicals	112.0	110.8	109.4	104.0
Oil cakes	146.0	146.8	143.4	137.5
Machinery & Transport Equipment	112.8	112.8	112.8	111.5
Others	120.0	120.8	120.3	115.8
All Commodities	127.4	138.5	126.0	125.0

INDUSTRIAL DISPUTES IN INDIA

(Numbers)

	Disputes	Workers involved	Working days lost
1961 : May	121	32,786	385,838
Apr	150	51,881	278,044
Mar	124	42,890	279,037
Feb	88	34,342	270,295
Jan	96	34,567	205,796
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
July	125	168,407	748,651
June	154	65,783	390,425
May	127	37,675	414,789
Apr	92	47,770	331,511
Mar	125	47,700	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 : Labour Bureau, Ministry of Labour and Employment, Government of India.

October 21, 1961

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FOREIGN TRADE OF INDIA

Principal Imports

(Rs lakhs)

	1961					Monthly average		
	May	Apr	Mar	Feb	Jan	1961*	1960	1959
	579	670	1481	592	516	768	1302	1513
Food								
of which								
Milk and cream; evaporated condensed or dried	78	25	34	65	25	45	30	62
Dairy products	21	12	11	6	9	12	9	10
Fish: fresh or simply preserved	8	11	27	40	42	26	31	25
Wheat and spelt unmilled	206	418	976	301	105	401	863	1124
Rice	68	81	31	26	—	41	156	95
Maize (corn), unmilled	57	—	64	—	25	29	25	25
Fruits and nuts, fresh	109	73	299	108	187	155	110	93
Dried Fruits	10	26	21	27	101	37	46	42
Spices	13	14	11	8	13	12	18	21
Beverages and tobacco	78	14	4	3	4	21	7	16
of which								
Tobacco unmanufactured	65	10	—	—	—	15	2	12
Crude materials, inedible, except fuels	928	1272	929	1204	1208	1108	1252	791
of which								
Hides and skins	18	16	18	15	15	16	21	14
Oilseeds, oilnuts and oil kernels	77	95	90	70	64	79	100	94
Crude rubber, including synthetic and reclaimed	69	67	53	44	106	68	92	56
Wood	5	42	4	4	17	14	45	44
Pulp and waste paper	79	74	44	55	44	59	57	58
Wool and other animal hair	86	161	44	99	111	100	89	76
Cotton	400	610	524	761	633	586	627	290
Jute including jute cuttings and waste	31	62	56	63	75	57	66	12
Vegetable fibres, except cotton and jute	12	14	2	11	5	9	9	7
Fertilisers, crude	43	28	9	13	10	21	21	21
Crude minerals, excluding coal, petroleum, fertiliser materials and precious stones	50	58	50	28	72	52	58	53
Iron and steel scrap	4	5	5	3	4	4	8	11
Non-ferrous metal scrap	23	16	10	13	11	15	19	13
Mineral fuels, lubricants and related materials	716	491	374	382	682	529	654	653
of which								
Petroleum, crude and partly refined	324	155	62	166	197	181	191	78
Petroleum products	389	335	310	216	486	347	462	574
Animal and vegetable oils and fats	42	42	19	15	13	26	45	39
of which								
Vegetable oils	30	28	12	13	9	18	37	32
Chemicals	861	782	513	727	825	742	717	736
of which								
Inorganic chemicals	102	89	93	93	92	94	134	201
Organic chemicals	280	200	135	226	168	202	194	151
Coal tar dyestuffs and natural indigo	131	72	59	76	152	98	76	60
Dyeing and tanning extracts and synthetic tanning materials	8	11	10	10	10	10	11	11
Pigments, paints, varnishes and related materials	19	18	14	12	18	16	15	10
Medicinal and pharmaceutical products	81	81	65	73	90	78	91	74
Essential oils, perfume and flavour materials	11	12	10	9	6	10	11	8
Fertilisers manufactured	65	205	46	162	180	132	89	132
Explosives	33	13	13	10	23	18	17	22
Miscellaneous chemical materials and products	126	80	66	56	85	83	77	65
Manufactured goods	1837	1878	1496	1635	1648	1699	1820	1537
of which								
Rubber manufactured articles	47	18	21	29	30	29	22	9
Paper and paperboard	107	84	67	82	118	114	95	82
Textile yarn and thread	139	103	75	114	135	113	120	124
Cotton fabrics of standard type	3	6	4	4	4	4	7	10
Textile fabrics of standard type other than cotton fabrics	6	6	16	3	4	7	9	19
Special textile fabrics and related products	9	7	9	9	10	9	10	7
Clay construction materials and refractory construction materials	36	27	19	7	15	21	23	34
Mineral manufactures, not including clay and glass	27	21	18	20	21	21	20	18
Precious and semi-precious stones and pearls, unworked and worked	10	7	8	8	10	9	9	6

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Iron and steel	773	899	812	840	741	813	924	708
Copper	257	259	89	156	107	174	191	137
Nickel	7	30	2	5	14	12	10	7
Aluminium	73	52	48	57	85	63	61	50
Lead	22	27	17	17	12	19	22	20
Zinc	58	94	44	64	100	72	74	44
Tin	57	77	26	24	30	43	34	40
Manufactures of metals	172	115	185	173	179	165	148	195
Machinery and transport equipment	3316	3234	3036	2644	3306	3107	2442	2362
of which								
Power generating (except electric) machinery	234	195	176	150	223	196	202	240
Tractors other than steam	42	30	27	34	113	49	43	21
Office machinery	16	28	23	24	12	21	14	7
Metal-working machinery	508	352	322	423	604	442	280	231
Mining, construction and other industrial machinery	1371	1381	1239	1119	1390	1300	947	760
Electric machinery, apparatus and appliances	526	851	458	489	475	560	447	451
Railway vehicles	113	36	365	130	38	136	150	252
Road motor vehicles	280	272	360	214	310	287	263	256
Road vehicles other than motor vehicles	14	14	11	10	12	12	12	9
Aircraft	173	55	49	35	73	77	72	123
Miscellaneous manufactured articles	168	151	163	121	137	148	133	131
of which								
Scientific, medical, optical, measuring and controlling instruments and apparatus	60	63	54	46	44	53	44	45
Photographic and cinematographic supplies	38	33	24	24	29	30	34	38
Printed matter	21	18	42	19	25	25	21	17
Miscellaneous transactions and commodities	34	33	37	25	40	34	57	39
GRAND TOTAL	8560	8566	8053	7350	8379	8182	8430	7837

* For five months.

Source: Department of Commercial Intelligence and Statistics, Government of India, Calcutta.

WORLD PRODUCTION AND EXPORT OF MAJOR AGRICULTURAL COMMODITIES

Production					Exports				
(Million metric tons)					(Million metric tons)				
1960-61	1959-60	1958-59	1948-52		1960	1959	1958	1948-52	
(Preliminary)			(Average)		(Preliminary)			(Average)	
Wheat	140.8	135.3	139.0	113.6	Wheat and wheat flour	32.88	29.28	27.55	25.03
Barley	53.9	51.8	51.7	36.1	Barley	4.92	6.17	6.50	3.23
Oats	41.4	37.6	43.3	42.5	Oats	1.24	1.41	1.47	1.23
Maize	170.6	163.3	151.7	119.9	Maize	10.73	10.00	8.79	4.34
Rice	107.3	101.4	96.1	75.0	Rice	5.50	4.76	4.95	4.40
Sugar	42.9	39.2	39.0	26.6	Sugar	15.86	13.30	14.36	10.76
Citrus fruit	19.6	20.3	19.8	15.1	Citrus fruit	3.37	3.11	2.78	1.89
Apples	18.8	12.6	19.1	12.7	Apples	1.26	1.29	0.85	0.57
Bananas	13.8	14.9	14.5	11.6	Bananas	3.72	3.71	3.55	2.35
Vegetable oils and oilseeds	15.7	15.0	15.3	10.7	Vegetable oils and oilseeds	5.32	5.07	4.89	3.63
Animal fats	5.7	5.6	5.3	4.1	Coffee	2.61	2.59	2.23	1.94
Coffee	4.0	4.5	3.5	2.2	Cocoa	0.92	0.77	0.66	0.70
Cocoa	1.1	1.0	0.9	0.2	Tea	0.51	0.52	0.54	0.42
Tea	0.7	0.8	0.7	0.5	Wine	2.66	2.40	2.77	1.64
Wine	22.1	22.7	21.8	17.6	Tobacco	0.66	0.64	0.66	0.54
Tobacco	2.8	2.8	2.7	2.4	Cotton	3.47	2.80	2.66	2.36
Cotton	7.1	6.8	6.3	5.7	Jute	0.79	0.87	0.96	0.86
Jute	2.0	2.1	2.4	2.0	Wool	1.34	1.40	1.17	1.10
Wool	2.0	2.0	1.9	1.5	Rubber	2.08	2.34	2.14	1.82
Rubber	1.9	2.0	1.9	1.7	Meat	1.56	1.58	1.49	0.96
Milk	250.9	245.8	242.6	204.6	Eggs	0.42	0.43	0.39	0.24
Meat	40.8	40.0	39.4	30.5					
Eggs	9.9	9.9	9.6	7.6					

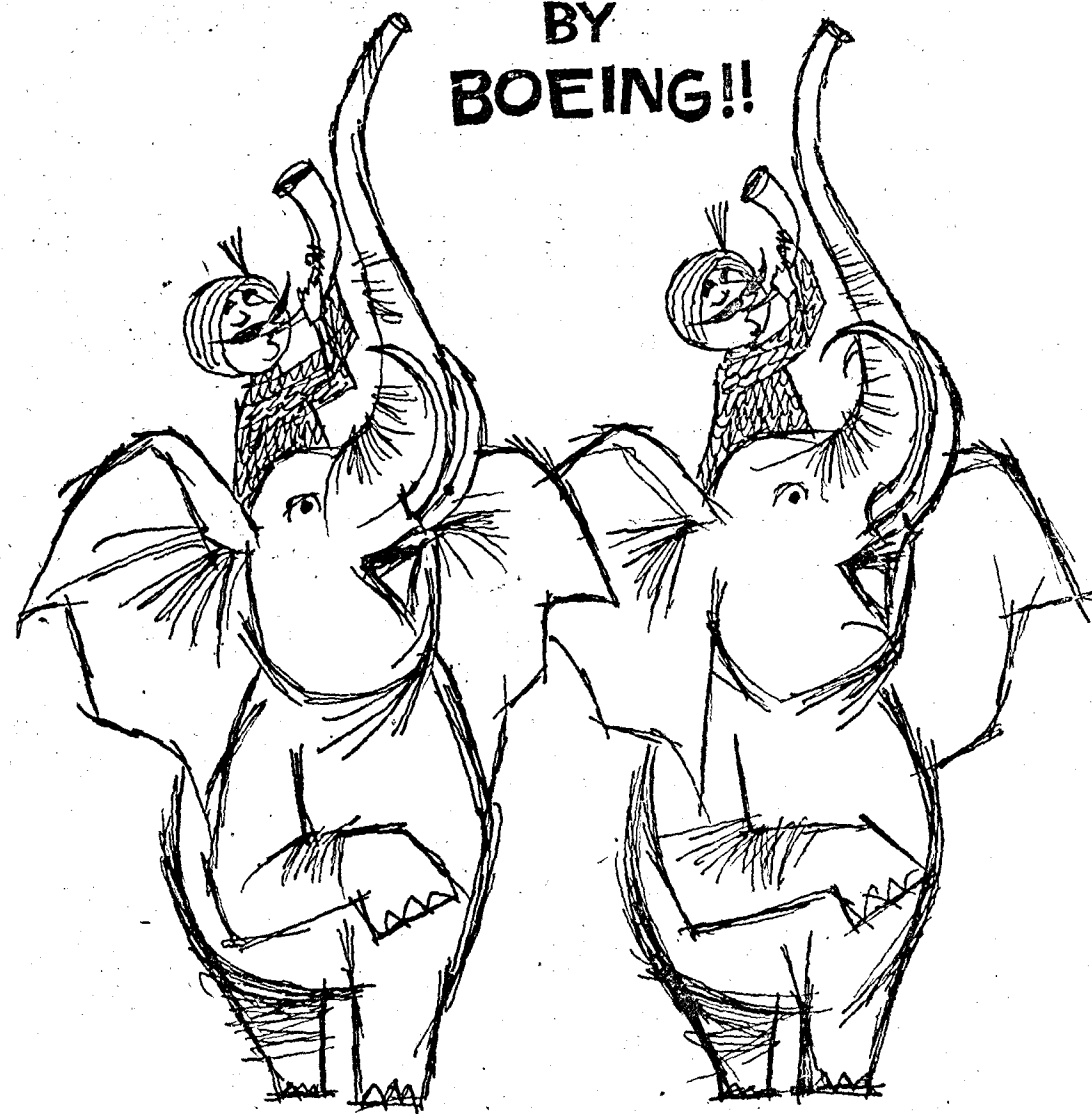
Source: Food and Agriculture Organisation of the United Nations, Rome.

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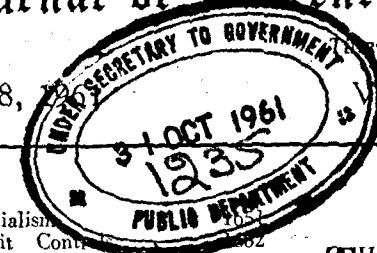
Printed by A Fernandes at New Jack Printing Works Private Ltd, Globe Mills Passage, off Delisle Road, Bombay 13, and published by him for Asian New Age Publishers Private Limited from 65, Apollo Street, Fort, Bombay 1. Editor: SACHIN CHAUDHURI

Rupee Payment Agreements: A Balance Sheet

The Economic Weekly

A Journal of Current Economic and Political Affairs

October 28,



SEVENTH YEAR OF PUBLICATION

Volume XIII No 43

Price 50 Naye Paise

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THE ECONOMIC WEEKLY
65, Apollo Street, Fort,
Bombay.

Telephone : 253406

Annual Subscription : Rs 24
Foreign 40s or \$ 6

Against Colonialism

THE presence of African leaders, freedom-fighters for their own countries, on the sands of Chowpatty at a huge, big rally to condemn Portuguese imperialism was certainly a remarkable event and an event which marks a definite advance in the cementing of Afro-Asian solidarity. The Afro-Asian group of nations has emerged as a big force in the deliberations of the United Nations. India continues to play a vital part in these deliberations. But, of late, there has been more than a suspicion that India has been slipping up a bit. This came out unmistakably at the Summit Conference in Belgrade. An obvious purpose of convening the Seminar on the Problems of Portuguese Colonialism in Delhi was to rehabilitate India among the African countries.

It was no longer a secret that India had been a little out of tune with the Africans; Africans began to feel that India no longer responded quite to the same extent as before to their urges and needs. The struggle for emancipation from colonialism had enveloped the whole of Africa. The main focus of that struggle was Angola. Where was India in that struggle? How could she put up so long with Portuguese colonialism on her own soil? Goa and not Angola was the key to their liberation. What was India doing about it?

The question of liberation of Goa, which has been left dormant ever since the ill-fated Satyagraha launched on August 15, 1955 and hurriedly withdrawn, has to be revived and revived under pressure from the Africans. If India joined, their fight would be so much easier. It had to be demonstrated to the African people that on this vital question, India was one with them. That would go a long way to reinstate the image of India as a friend and ally of the Afro-Asian people; an image which had been sullied a little by neglect.

The Africans do not understand metaphysics. They want joint action in armed struggle. Though Pandit Nehru was no longer prepared to rule out the use of force for the liberation of Goa, he made it very clear that, in the fight against Portuguese colonialism, each country should work out its own strategy and that there was no question of joint struggle against Portugal. If this was what the African delegates had expected, they must have gone back disappointed.

The decision reached at the Seminar was that of collective action in the United Nations. The legal fiction maintained by Portugal that she had no colonies and that all her colonial possessions were metropolitan territory has been dismissed by the General Assembly. The first step, therefore, was to get the U N to declare that the Portuguese possessions should have the right of self-determination. This would open the way for a new strategy to secure their liberation. The collective action mentioned in the resolution could then be action at a later stage to implement this decision once it has been accepted by the United Nations. The situation has perhaps changed a little to embolden India. True, Portugal still remains a member of the NATO. But the latest nuclear developments have perhaps made the Portuguese bases expendable, and Afro-Asians are too strong a force today for Britain to offend them — even to please her oldest ally.

Selective Credit Controls

WITH the withdrawal by the Reserve Bank with effect from October 23 of the ceiling on clean advances imposed on March 11, 1960, the programme of dismantling the selective controls on bank advances reaches its final stage. In the recent past, controls on advances against sugar, wheat, raw jute and jute goods have been withdrawn in stages. True, in each case, the special conditions prevailing in the particular industry or trade have been mentioned in justification of the withdrawal of restrictions. It is also true that selective credit controls on paddy and rice, oilseeds—including groundnuts—, shares and budla operations still remain. Nevertheless, a definite policy of eliminating selective credit controls seems to have been under way.

Under the ceiling restrictions imposed by the Reserve Bank, scheduled banks were required to ensure that the ratio of clean advances to total bank advances in any month from April 1960 onwards did not exceed the ratio prevailing during the corresponding month of 1959. The ceiling on clean advances was thus a little flexible. The other selective controls, which have been imposed so far, have been usually in terms of the level of advances prevailing during the corresponding month of the previous year. The banks were thus free to increase their clean advances proportionately as their total advances increased; this freedom they did not have in regard to their other advances which were subjected to control.

That the ceiling should have been withdrawn on the eve of the busy season confirms that there has been some rethinking on the basic principles of selective credit control. The Reserve Bank's letter to the banks however, merely points out that "control on clean advances as such is no longer necessary". Considering that the ceiling on clean advances was intended to prevent evasion of the other selective credit controls and, in particular, the 50 per cent margin on advances against shares other than preference shares which still remains in force, this does not seem to be quite valid, particularly if the inference is that this restriction was necessary in the past but

is not necessary any more because the circumstances relating to clean advances have changed. The Reserve Bank's reference to "the higher pattern of lending rates" which now forms part of generally tighter credit conditions, however, is more relevant to the situation. On that reasoning, there is a strong case for the withdrawal of all the selective credit controls about the effectiveness of which there has always been considerable doubt.

The clean advances which could not possibly arise from evasion of

control on other advances were the credits extended to the hundi market. These advances, which were secured from the viewpoint of the lending banks, were treated as 'claim' for the purposes of Reserve Bank control. This includes advances against Multani hundis, which is the mechanism through which the Multani money market has been linked to the organised money market. The difficulties which arose during the last busy season in this respect are not, therefore, likely to recur this year.

Back in the Pot

THOSE who had restrained their optimism at the agreement on U Thant's appointment as the United Nations Secretary-General have, unfortunately, been proved right. The acceptance by both Russia and the United States of the Burmese delegate's name has, in fact, advanced the problem but little. The core of the dispute persists; and it persists, on balance, because of the obduracy of the West. The Russians have indeed come quite a distance from their originally firm stand on *troika*. Of course, when the *troika* plan had been first suggested, Mr Hammarskjöld was still alive, and the United Nations faced no immediate crisis on the issue of its General-Secretaryship. The Soviet Government was looking 18 months ahead, when Mr Hammarskjöld was due to finish his term of office. The tragedy of his death forced the issue; and it is true that at first Mr Khrushchev did seem to be making an attempt to exploit the resultant situation in favour of *troika*. But only the West was too dull to see that this was not a fixed attitude but one of which Moscow could readily be talked out. The Russian Prime Minister's announcement about pushing the *troika* plan forward at that stage was something in the nature of a lawyer's insincere notice designed to establish a position of "without prejudice". Mr Khrushchev was giving notice that he had not abandoned his insistence on *troika*; but having done so, he was in the market for an interim deal. This is what the United States failed to

grasp sufficiently; but the supposedly less mature Afro-Asians were on to it in no time. The result was that Mr Khrushchev allowed himself to be persuaded with relative ease into postponing his *troika* demand and agreeing to an interim appointment in Mr Hammarskjöld's place. The Soviet Premier lost nothing by agreeing—he had never hoped to push *troika* till the end of Mr Hammarskjöld's term any way. So the eighteen months immediately ahead were open to negotiation.

The alternative suggested by Moscow at this point was quite a concession from the Soviet point of view. Perhaps Mr Khrushchev, conscious of the deep hurt he had caused to the non-committed countries everywhere by his endless and unpopular nuclear tests, was anxious to retrieve some of the goodwill he had lost. Whatever the reason, his plan was most plainly a far cry from *troika*. He accepted the idea of a single Secretary-General for the time being; true, he insisted that the new incumbent must be "assisted" by five (or three) deputies, whom he must "consult" at every step, but he made it clear that none of these assistants would have the power of veto. Amazingly, the United States dismissed the proposal out of hand, under less than 12 hours of its announcement. Only later, under pressure of mounting criticism in the lobbies of the United Nations and elsewhere, did it modify its stand sufficiently to take another, less casual look at the Soviet proposal.

The result was the agreement on U Thant's name—a step forward, but only, it now seems, a deceptive one. It wasn't a case so much of agreement on U Thant's name as a case of shifting the disagreement to the second rank of naming the Deputies. The U N Charter (as Mr Hammarskjöld once himself reminded the General Assembly not long before his death) envisages the distribution of high U N offices on a geographical basis; and it ought, given the requisite goodwill and sincerity, to have been a small matter to agree on five Deputy Secretaries from five different geographical areas regardless of ideological considerations. But suspicion being more the order of the day than goodwill and sincerity, ideological considerations are just what have crept in. That a Deputy each should be drawn from the United States, Russia, Africa and Latin America was readily agreed to (Asia being presumably excluded because the Secretary-General himself would come from there); but the United States quickly staked an awkward claim for the fifth Deputy to come from Western Europe. Only a dimwit would have imagined that this would not immediately provoke the Russians to demand a sixth Deputy from Eastern Europe as well. But apparently, the West either did not foresee this, or deliberately mooted the appointment of a West European with the intention of throwing a spanner in the works.

The position now (at the time of writing) is that U Thant's own name has gone back into the melting pot—thrown there, let it be noted, by the West itself. Mr Boland's name is now being brought up in its place, with the probable expectation that it would release Asia to provide the fifth wheel of the United Nations coach. But since this is only a roundabout way of adding a Western name to the list, it is foolish to think Russia would fall for the ruse. The stalemate, therefore, persists; and the key to its solution is in the hands of the West, which has only to drop its claim for a West European Deputy to eliminate the counter-claim of the Eastern Europeans. The issue could then once again be tackled, as it ought to have been tackled from the very outset, on the basis of geography alone. But it is for the West to make the first move; or rather to retract its last one.

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Weekly Notes

Hindustan Shipyard

PARADOXICAL but, nevertheless, it is true that newly-developing countries have often a comparative advantage in machine-building and heavy construction. The striking advance in Yugoslavia and Poland in ship-building in the last few years is an example in point. Why shouldn't India come up in ship-building also and, even more, in ship-repairing, which is commercially perhaps the more remunerative? There must have been something radically wrong in the foundations from which it started and also in its present organisation; otherwise, how to explain the poor performance of Hindustan Shipyard which has been a white elephant in its maintenance but more like a mouse in its output and performance? In his last address to the shareholders of Hindustan Shipyard, which he is leaving this year, Shri G L Mehta reiterated with all the emphasis at his command that the project for a dry dock at Vizagapatam should be given a high priority in the Third Plan. The absence of docking facilities, he added, constituted a serious impediment to the progress of Indian ship-building. Is the addition of a dry dock all that is necessary to put the Shipyard on its feet and to set India firmly on the path of progress in ship-building and ship-repairing?

Shri G L Mehta had started his career in shipping. He must still have a very soft corner for it in his heart, for he could be persuaded to continue his Chairmanship of the shipyard, when, for reasons of health, he declined the offer of heading the Finance Commission. Perhaps, in terms of the number of meetings attended and of visits paid to the shipyard, his record in Hindustan is vastly superior to that of any of his predecessors; but, in spite of his sincere concern for ship-building, is he leaving the Hindustan Shipyard very much better?

In its last report on the Shipyard, the Estimates Committee had pointed out two major deficiencies on the technical side; absence of a designing and estimates department to remove dependence on foreign de-

signs; and lack of standardisation. Readers may recollect that, it had been pointed out in these columns that the defects in the *s s Andaman* and the new survey vessel, *Haldia*, stemmed from inadequate designing and inaccurate estimating. The Estimates Committee has emphasised both these points.

Nothing is known about what the Hindustan Shipyard has been doing about developing a designing and estimating department. Shri G L Mehta's address, however, throws some light on the other question of standardisation, which had been recommended by the Estimates Committee many years ago and which had actually been accepted by the Government as early as 1956. Shri G L Mehta mentions that the Shipyard has been able to make arrangements with Messrs Mitsubishi Heavy Industries for supply of plants for a new series of vessels. This does not indicate much progress in standardisation, does it? It has just built two Lubecker type of vessels and is about to complete the third in that series. It is now switching on to another series before gaining the fullest advantages from experience of building one type of vessels.

If, indeed, the Shipyard is to reduce its cost and thus reduce the subsidy the Government has to pay to it, it will have to think very seriously on standardisation even if it imposes limitations on it.

The Estimates Committee had many other things to say. The Shipyard, on an average, has built less than 15,000 deadweight tons per year in the last four years when their capacity is over 20,000 tons. In terms of ships, the average comes to about 2½ ships per annum. The capacity of the Yard has now been increased to 25,000 — 30,000 tons, and the Shipyard hopes to reach the optimum capacity of 50,000 to 60,000 tons by 1964. The Committee is sceptical and comments: "Taking into consideration the past performance, it is doubtful whether the Yard will be able to achieve the increased capacity now planned by the target date.... The Yard is likely to reach its rated capacity near about 1970 only and not in 1963-64".

Fertiliser Price Riddle

FAR-REACHING changes in the price policy for fertilisers and in the organisational set-up for distribution of fertilisers were suggested by the Fertiliser Distribution Enquiry Committee which reported last year. The Committee particularly emphasised the need to bring down prices. The UN Fertiliser Mission, which visited the country earlier this year, also urged the Government to take an early decision on a price policy which would be conducive to increased use of fertilisers by the cultivator and to the development of the industry. It pointed out that "the Indian cultivator who is the poorest in the world has to pay almost the highest price in the world for his fertilisers".

No such pressing need for making fertilisers cheaper seems to have activated the Government in announcing the price schedule for fertilisers which became operative from Monday last. True, the prices announced are ceiling prices, but in view of the demand and supply position, actual prices are not likely to be much below these ceilings. A comparison of the prices now announced with those at which fertiliser was being made available to the States from the central pool should belie hope that the cultivator will be able to procure his requirements of fertilisers at lower prices than he has had to pay so far.

It is true, of course, that even at these prices the demand for fertilisers will exceed supply. Thus, the last report of the Ministry of Food and Agriculture states that in 1960-61 the demand for nitrogenous fertilisers was about 23 lakh tons in terms of ammonium sulphate, while their availability, including internal production and imports, was no more than 9.8 lakh tons. Besides, since private enterprise and foreign investment have to be attracted into fertiliser production to achieve the target set in the Third Plan, a lowering of prices at this juncture must have appeared injudicious to the Government.

In one respect, however, the prices announced mark a departure

from past practice. The ceiling prices for fertilisers supplied to plantations are on the whole slightly higher than for those supplied to cultivators. This is understandable. But why charge different prices for the same type of fertiliser supplied to cultivators in different States? Thus, for example, a tonne of ammonium sulphate will be sold to farmers at Rs 380 in U P, Rs 385.14 in Madras, Rs 384.50 in Orissa and Rs 374.50 in the other States. In the absence of any official explanation, one is left guessing. Is it the intention to encourage the use of particular fertilisers in particular soil zones through a scheme of price differentials? This, however, is not a very satisfying explanation, since distinctions in price have been made only for three States — U P, Orissa and Madras — and uniform prices have been prescribed for all the other States.

Warehouses for Efficient Distribution

THE Fertiliser Distribution Enquiry Committee had also recommended the replacement of the fertiliser pool with a central marketing corporation. At present, the distribution of nitrogenous fertilisers, both imported and home-produced, is made by the Government of India from the central fertiliser pool. On the basis of the estimates of demand submitted by the States, quarterly allocations are made by the Centre to each State, indicating the quantity to be supplied and the source from which the supply is to be made. On the authority of the allocations made by the Government of India, the State Governments issue despatch instructions to the factories allotted to them. The responsibility for distribution to the cultivators rests with the State Governments. The main channels utilised by the State Governments for distribution are Government departments, co-operative societies and private dealers.

The Government, it is now known, is proposing to set up a central organisation for the marketing of fertilisers, as recommended by the Committee. It is not, however, clear yet whether the corporation will merely replace the central pool or also take on the responsibility for distribution in the States. There appears, however, to be a case for a broad definition of the functions

of the proposed corporation since the present arrangement for distribution in the States has not worked satisfactorily even for the limited quantity of fertiliser that has been available to be distributed so far. A major defect in the present arrangement appears to be the multiplicity of agencies to supply fertiliser to the farmer and the lack of co-ordination among them.

The lack of warehouses has also hampered efficient and timely distribution of fertilisers. The demand for fertilisers is at a maximum during the months from April to June. To meet this seasonal demand, stocks have to be built up over the year. It has, therefore, been suggested that centrally-administered godowns should be started, conveniently situated in the different States, where fertilisers can be received and stored for supply to the consuming centres. The need for warehouses would become increasingly pressing as consumption of fertilisers is stepped up. The Third Plan aims at a five-fold increase in consumption of nitrogenous fertilisers from 2,30,000 tonnes (in terms of N) to one million tonnes and a six-fold increase in that of phosphatic fertilisers from 70,000 tonnes (in terms of P₂O₅) to 4,00,000 tonnes. It would appear, therefore, that an important function of the proposed fertiliser marketing corporation would be to set up and administer a string of warehouses all over the country.

Refrigerators, Small Scale

ONE sometimes comes across startling things while casually looking at the list of licences issued to large-scale industries, and that of small-scale industries which the small entrepreneurs are invited to develop. A recent case in point is that of small-sized absorption type of refrigerators. Voltas, one of the leading engineering firms in the country, have just announced that they are going to market shortly a small popular 'Janata' refrigerator to suit the needs of the low-income groups. They are going to get the know-how, drawings and specifications from a German firm and the terms of agreement allow Voltas to export these refrigerators to West Asian and South-East Asian countries. Janata refrigerators will have a capacity of 1.8 cubic feet and will be priced Rs 600, ex-factory.

At about the same time, the Central Small Industries Organisation, Government of India, has included in its selected list of industries which it considers suitable for the small-scale sector, the same type of refrigerators with a slightly smaller capacity, 1.6 cubic feet. This too, according to this Government organisation, will not cost more than Rs 600 and it will involve a total capital investment of Rs 4 lakhs, of which Rs 1.45 lakhs would be the cost of machinery. This will enable, so it is stated, a production of 300 such refrigerators per month. Voltas are planning a capacity of 10,000 in the first year, which is to be progressively raised later. And Voltas are not the only manufacturers in this field. Another brand of absorption type refrigerators, Himalex, is already being produced in Calcutta on a scale which is small, because the demand so far does not warrant a large volume of production.

Can small-scale manufacture of refrigerators of the same type be a sensible proposition when a highly organised concern, leading in modern technology, undertakes to produce them in bulk and sell them at the same price? It is conceivable that there may be room for both small-scale and large-scale production of the same type of products, if some special factors favour the one as against the other, to offset the cost difference or if the two turn out to be non-competitive, one producing for the home market and the other mainly or exclusively for exports.

In passing it may be noted that Voltas mention exports to West and South-East Asian countries and not to other markets where India's export potential is developing and which still remain to be exploited. The Delhi despatch in the current issue points to one such field of exploration and the product mentioned happens to be India-made refrigerators! The despatch mentions that the East European countries with which India has rupee payment agreements showed an interest in India-made refrigerators, but found that the prices were twice as high as those prevailing in western countries. The reference here is presumably to the compressor type refrigerators and not the absorption

type. But, nevertheless it illustrates the point.

It is conceivable, but scarcely apparent at first sight, that there is the same scope for refrigerators in the small-scale and large-scale sectors of the industry. And in the absence of convincing explanation, one is bound to be left with the impression that either the small industries departments of the Government do not know what the Development Wing has been doing or that the promoters of small-scale industry in the Government do not apply any rational criterion in their choice of industries which are suited for developing on a small-scale.

Up the Garden Path?

DO small industries differ in kind from the medium or large ones? Some do not. It is not that all big industries start big; they may, and do, grow from small beginnings, sometimes very small beginnings. Small industries are often the embryonic form and however high may be the rate of infant mortality among them, some of them some day will grow big; others will wither and die. If that is the view one takes, it would be difficult to find any rational policy in regard to them except that of betting on the strong. That is to say, if all of them have potential for growth but not the same chance of survival, the right course would be to pick out the ones which show the best promise and give them every possible assistance to nurture their growth. If such selective preference is not considered feasible or acceptable on other grounds, administrative or political, the fields in which such industries have a useful role to play and best chance of survival have to be clearly demarcated.

Whatever the difficulties of classification, technological factors alone should help to mark out some industries which are specially suitable for developing on a small scale. In fact, the small-scale industries departments of the Government, of which there are many, are supposed to be actually doing it. They publish from time to time a list of industries which they consider to be suitable to be developed on a small scale. By selecting such industries and inviting small entrepreneurs to take them up and sink their capital

in them, the departments certainly assume a considerable measure of responsibility. If the industries thus selected and advertised cannot be economically developed on a small scale and especially, if there are

Letter to Editor

Meaning of Aligarh

THIS has reference to your note "Meaning of Aligarh" in *The Economic Weekly* of October 14, 1961 (p 1586). Your esteemed Journal has been known for its progressive outlook on economic, social and political problems. The note on Aligarh is hardly in keeping with this reputation. It is a strange amalgam of erroneous facts and curious logic. Your assertion, for example, that ".....the Aligarh University is a communal institution with an overwhelming majority of Muslim students on its rolls" is really astounding. By this standard none of the Indian universities will escape the charge of communalism as almost all of them have an overwhelming majority of students belonging to one particular community.

You also say that "it has not cleared itself of frequent charges of communal bias in recruiting staff and admitting students", and that ".....the last enquiry, conducted only a few months ago, was confined only to administrative matters." Both these statements are based on complete ignorance of facts. It seems you are not aware of either the terms of reference or the findings of the A M U Enquiry Committee which consisted of eminent men of the country. Its terms of reference were:

- 1 To go into the charges of financial irregularities and mismanagement of public funds by the University.
- 2 To go into the problem of admission of students and appointment and promotion of the staff.
- 3 To suggest ways and means to tone up the general functioning of the University.

It is obvious from the above that the Enquiry Committee did not confine itself to administrative matters; nor did it, anywhere in its report, accuse the University of "communal bias in recruiting staff and admitting students." I am sure,

other units in the country which are engaged in producing the same product on a large and more economical scale, the small producers drawn into them are in the danger of being led up the garden path.

you would agree that such baseless statements are not conducive to the cause of national integration.

We in Aligarh share the sense of grief with the rest of the nation at the recent unfortunate happenings here and elsewhere. But we resent the way this opportunity has been seized by the reactionary forces to unleash a tirade of half-truths, false accusations and gross exaggerations against our University. Let there be a thorough probe into the recent disturbances, and we will gladly suffer the nation's wrath, should we be found guilty.

M A Raz

Lecturer in Economics,
Aligarh University,
October 20.

[The composition of university students is expected to bear some relation to the proportion between the communities in the population of the country. That is why it has often been the subject of criticism that Muslims far outnumber Hindus in the Aligarh University. Again, if the Aligarh University Enquiry Committee did, in fact, exonerate the University, why did the University authorities refuse to accept the Committee's report? It was not the intention to single out the Aligarh Muslim University for criticism. The burden of the comment in the note in question was that denominational institutions are inconsistent with national integration. Editor.]

BACK ISSUES WANTED

There is a demand from new subscribers for the undermentioned back-issues of *The Economic Weekly*. It will, therefore, be appreciated if readers kindly mail back these copies to *The Economic Weekly*, 65, Apollo Street, Bombay-1. They will be paid for.

Volume XIII

Numbers 3, 7, 9, 30, 31 and 33, dated January 21, February 18, March 4, July 29, August 5 and August 19, 1961, respectively.

Capital View

Liberation of Portuguese Colonies

Romesh Thapar

DID Finance Minister Morarji Desai speaking in his 'individual capacity', stick his neck out by mistake at the Delhi seminar on colonialism (Portuguese-style) or was he deliberately baiting the Prime Minister? This kind of typically Delhi speculation has been sparked by Desai's emphatic declaration that non-violent India would never seize the Portuguese pockets by force—a statement which contradicts Nehru's earlier peroration that the use of force was not ruled out. Perhaps, both gentlemen were being 'moody' and, therefore, not really conscious of the implications of what they were saying.

Whatever the verbal acrobatics, there is no denying that the theoreticians at the External Affairs Ministry were embarrassed by the fiery anti-colonial denunciations at Vigyan Bhavan and more than just confused by the motivations which prompted the holding of the seminar. Only the other day we were busy at international level trying to soft-pedal the colonial content of the Belgrade neutral summit, even refusing to host that conference for fear that it might get out of control. Now we are doing the opposite 'on our own steam'.

Out of Touch

Of course, the seminar was concerned specifically with Portuguese colonialism, not the Anglo-American variety which fellow neutrals were so anxious to lampoon. Nevertheless, at Vigyan Bhavan it was clear that we are out of touch with our African 'allies' even where Portuguese colonialism is concerned. The few African delegates who turned up soon possessed the platform demanding full-blooded action to liquidate Portuguese rule in Angola, Mozambique, Sao Tome, and the Principe Islands, Cape Verde, Portuguese Guinea, Goa, Daman and Diu, Macao and Timor. The empire covers some 803,000 square miles and embraces a population of over 12 millions. It is today the last stronghold of the old-style colonialism — and, therefore, of great symbolic significance.

The Prime Minister's concluding remarks to the delegates reassembled

in Bombay suggest that we have not heard the last word on the subject yet. Nehru's self-confessed agitational approach, Ashok Sen's legalistic quibbles and Morarji Desai's moralising helped to prepare a 'cocktail' which is going to have a delayed-action effect. The Africans are angry about the Indian stand and feel they have been treated like a bunch of school boys needing political education. The reality, they feel, is quite different. India, it is claimed, has the power to inspire the revolt throughout the Portuguese empire by marching her forces into Lisbon's pockets on her soil. This she has refused to do for fear of offending London and Washington who might be tempted to encourage Pakistan to do likewise in Kashmir. To make matters worse, Delhi attempts to clothe this 'opportunistic' policy with high sounding principles.

Show-Down with Portugal?

A number of knowledgeable political pundits in the capital are convinced that the Prime Minister, in his own way, is preparing for a show-down with the Portuguese. Many pressures are at play. The Chinese are busy telling all and sundry that India's leaders are 'compromisers' and not really interested in the freedom movement of Africa. The newly independent African States find our approach to the urgent problems of freedom rather pompous and pedantic. And there are movements within the country of both right and left persuasion, seeking to steal the anti-colonial thunder of the Congress party. Action against the Portuguese pockets would re-establish the India-brand image in Asian and African eyes.

The factors which had earlier restrained us from taking action have also undergone a change. London and Washington are not at the moment too worried about having the guns mounted against the Portuguese. Pakistan, also, is rather involved in her troubles with neighbouring Afghanistan — trouble, that is likely, according to informed circles, to simmer or even blow up.

And, what is more, the Chinese flirtation with Pakistan will probably be less passionate now that Premier Khrushchev has singled out India for praise and criticised the policies which emanate from Rawalpindi. To expect more positive developments on the Goa 'front' is not out of order. To this extent, the seminar on Portuguese colonialism may yet prove to have had some impact on the policy-makers in Delhi.

No Leg to Stand On

Speaking of Khrushchev, it would be an exaggeration to say that people here are deeply tormented by the explosion of the 50 megaton bomb — a single blast greater in intensity than all the gunpowder exploded in recorded history. This is typical, for few really believe that this country will suffer because of some bombs being triggered in the Arctic. Yet, it is equally true that Khrushchev has delivered a mortal blow to the communist-backed peace movement, for the communists are now attempting to justify the Soviet decision in terms of the deteriorating international situation. According to informed scientists, no real research is involved in the making of bigger and bigger bombs — and this applies even to the use of new nuclear materials. Then what makes Khrushchev behave as he does?

About the only vaguely plausible theory which emerges in this senseless situation is that Khrushchev, having failed to secure U S approval of his nuclear control and disarmament schemes, is now exploding bigger and bigger bombs and using the air-currents to gradually pollute the territory of his opponents and so 'persuade' them to change their attitude to nuclear control and disarmament. The U S A, it is maintained, cannot retaliate by equally big explosions because she does not have conveniently placed testing grounds. This tactic aptly described as 'uncivilised' by the Prime Minister, will ultimately pollute the atmosphere of the world. Indeed, if parallel testings begin, we may well be on the road to self-destruction without fighting a nu-

clear war. The tragic irony of it is that the communists who did the most to make people aware of nuclear dangers are now, publicly at least, supporting Khrushchev.

Facile Explanation

Another theory attempts to explain Khrushchev's inexplicable actions in terms of the situation prevailing within the communist world, particularly the renewed struggle between the Stalinists and the anti-Stalinists. It is the old line — that Khrushchev is forced to present an aggressive front in order to neutralise the Chinese pressure against him. But is the pressure so strong? After all, the battle is being fought over the Stalinist antics of tiny Albania and hardly anyone

supported the Chinese at the Bolshevik Party Congress in Moscow. Indeed, Chou En-lai seems to have left in a huff. It is just too easy to explain every Khrushchevian aberration to Chinese pressure — although it may be a popular pastime these days.

Bombs or no bombs, Delhi's 'socialistic' tempo remains unchanged. We are at the moment about to witness an International Film Festival. Apparently, the organisers insisted that only films which had not been previously screened be entered. This brought a heap of second-rate stuff to the capital. Delays in the finalisation of the programme have also created confusion. Now, advertisements tell the public that

tickets are available and entertainment tax need not be paid — but report has it that the tax is being charged. As for other printed materials, they are still in printing. Who cares, so long as the inauguration ceremonies are performed with a fanfare before selected guests whose only interest is to be seen at the right place and at the right time.

All this and related activity involves a certain amount of strain and tension in the capital. Not surprisingly the army medicals have organised their own little seminar — on STRESS, believe it or not. Perhaps, this is a free service offered to harassed politicians fighting to 'fix' their election tickets.

ports the country is able to import capital goods. In so far as these exports pay for the needed imports, this arrangement does earn foreign exchange for the country. If the Federation could establish that in fact exports to East European countries could be diverted to the western markets with a greater net advantage, that would be a different proposition altogether. Whether we could export more to other markets without unduly lowering the price is just a matter of speculation. Whether the imports will get for the price we pay in terms of exports is fully worth the cost is, however, another matter. On this question, the Commerce Ministry is not so adamant and forthright. Free foreign exchange spendable anywhere would certainly give us a better choice in the selection of imports. But when the country is short of foreign exchange, recourse has to be taken to sources of supply of imports which may be only the second best. But even here, stricter standards have been applied in regard to the utilisation of export earnings from these countries. This would be evident from the higher share of capital goods in the total imports from the East European countries which is about 75 per cent as against some 54 per cent in the case of other countries.

The Federation has made a big issue of the alleged re-export by some rupee-payment countries of exports from India and selling them at a lower price in our traditional markets. It has cited only one such instance, that of Czechoslovakia which re-exported Indian coffee to West Germany. However, no such case has been brought to the notice of the Government and there is a specific understanding with these countries that they would not re-export commodities imported from India. The Ministry is prepared to investigate this matter further.

No Diversification of Exports

The Federation is on firm ground, however, in mentioning that trade with these countries has not resulted in a commodity-wise diversification. Over 90 per cent of our total exports to these countries is of traditional products. Among non-traditional items, only shoes have made an impressive headway. But what stands in the way of increasing the exports of non-tradi-

tional commodities is the poor quality and prohibitive prices of Indian products. For instance, it is pointed out, these countries showed interest in Indian-made refrigerators, but they found that the prices were twice as high as those prevailing in Western countries. In this connection the Federation has suggested that these countries should be made to buy a specified percentage of newly developing lines of exports from India. This may not be feasible but what can be done is to persuade these countries to buy more and more of non-traditional items.

The Ministry also discounts the Federation's estimate that prices of goods from these countries are higher by 15 to 30 per cent. No case of such high price has been brought to the notice of the Government. Moreover, the trade agreements stipulate that purchases will be made subject to prices being competitive and quality being acceptable. The State Trading Corporation is responsible for satisfying itself about the prices and quality of goods imported from East European countries. The Government's own experience in this field, e.g. in purchasing equipment for the Bhilai steel plant and oil exploration from the USSR and ships from Yugoslavia has been uniformly satisfactory. It is true that most of these countries being new in the field of international trade have yet to learn its technique and develop requisite efficiency. But this is a temporary affair and is only of minor importance.

A Prosperous New Buyer

It is not surprising that reflecting, as it does, the conservatism and diffidence of the Indian businessmen, the FICCI does not yet fully realise the significance of the emergence of a new buyer which is growing prosperous. Already its impact is visible, particularly in increasing bargaining capacity of this country vis-a-vis western countries. It is no coincidence that after 1955-56, the year when East European countries made a real impact on India's foreign trade many of the traditional exports have been insulated against the sharp price fluctuations which they used to experience previously. This is particularly true of tea.

A very recent example of how trade with East European countries

helps to stabilise prices of export commodities is that of cashew kernel. Recently there was a big slump in cashew kernel prices. The Kerala Government — which is no friend of communism — sent an SOS to the Centre to persuade Russians to enter the market. The Centre persuaded the Soviet trade authorities to buy cashew kernel and this introduced some stability in the market.

Valuable Potential Importers

The potentialities of these countries as importers have also to be considered. They have an average rate of development of 10 per cent annually as against an average of four per cent in our traditional trade partners. Their requirements of imports will, therefore, increase at a faster rate than those of the rest of the world. Being centrally planned economies, there could be no fear of wide fluctuations in their demand. There is another encouraging feature — these countries are becoming more and more 'open'. This is clear from the fact that between 1950-59 the foreign trade of East European countries increased by 189 per cent as against 78 per cent for the rest of the world. In the next two decades these countries plan to expand their production five-fold. Variety and quality of goods available to us for import in return for our exports will also improve tremendously in course of time.

These developments could have a direct bearing on India, provided we are able to secure a firm foothold in their foreign trade. Our exports could increase roughly in the same proportion as their demand for these commodities. But this requires long-term trade agreements. If we are sure of their purchases, we can plan our production accordingly. Trend of continuous increase in export to these countries, though encouraging, does not warrant complacency, particularly when new competitors from Africa and Latin America are emerging. Except when there is a political motive, these countries are tough bargainers. Hence, there is no escape from putting our own house in order which means improving the quality and reducing the cost of exportable commodities.

Our Delhi Letter

Rupee Payment Agreements

A Balance Sheet

A NUMBER of trade delegations are coming in the next two months from the rupee payment countries. The delegations are expected from Poland, East Germany, Czechoslovakia, Yugoslavia, Rumania and Bulgaria between November 4 and January 4. On the eve of their visit, a controversy has been raised in New Delhi about the merits and demerits of this particular pattern of trading arrangement and about its impact on the foreign trade of the country.

The controversy was set off by the Federation of Indian Chambers of Commerce and Industry, which in its memorandum to the Import and Export Policy Committee, questioned the wisdom of the rupee agreements. In a balance sheet of "gains and losses" of trade with East European countries, the Federation maintains, losses outweigh the gains. The memorandum maintains that the rupee payment agreements have not been "instrumental in giving either a boost to exports or in saving foreign exchange". It says, moreover, that these arrangements "represent only a postponement of India's liability" and that "though imports from the rupee-payment countries will no doubt obviate an immediate drain on India's foreign exchange resources, the payment in rupees will mean payment of Indian goods of

equivalent value". "While the imports from these countries serve to avoid expenditure on foreign exchange, exports to these countries will mean no addition to our foreign exchange earnings".

Exports to Eastern Europe Rise

In official quarters, however, these views have not found acceptance. It is pointed out that the share of exports to East European countries in India's total export has increased from 0.4 per cent in 1952-53 to over 8 per cent in 1960-61, while the exports to the rest of the world have been shrinking. For instance, average exports to the rest of the world in 1958-60 were of the order of Rs 557.8 crores as against Rs 567.3 crores during 1952-54. True, during the last decade our exports have remained stagnant at around Rs 600 crores per year. But what would have been the position, had East European countries not emerged as new buyers in this period? The Commerce and Industries Ministry believes that trade with East European countries has helped to maintain and even effect a little improvement in our exports. In fact, trade with these countries has made visible additions to our exports.

It is of course the contention of the critics that trade with the rupee payment countries has led to a diversion of exports and that

what was exported to these countries would have been sold to other export markets. The Commerce Ministry is not prepared to concede, however, that the charge of diversion can be established where the exports to these countries have come from increases in the exportable surplus of the commodity concerned, e.g. in the case of spices, lac, mica, tobacco and manganese ore, there is clear enough presumption that the exports to the rupee countries have not been at the cost of exports to other markets. Such a possibility can arise only in the case of export commodities for which the volume of exports has increased faster than production and consumption. This has happened in the case of two export products: iron ore and tea. In the case of tea, however, the USSR which is the second largest buyer of Indian tea, buys mostly costly Darjeeling tea, which is not exported to any appreciable extent to our traditional markets. In this particular instance, it can be established that a new market has been found for a variety of tea which had not been exported hitherto.

High Proportion Capital Imports

Indeed, the Federation's contention that exports to the rupee payment countries do not earn foreign exchange hardly makes sense in that with the proceeds of such ex-

From the London End

Planning Body to be Outside Treasury

AS part of the preparation for Britain's possible entry into the Common Market in January, 1963, Mr Selwyn Lloyd is doing his best to push ahead with plans for setting up the National Economic Development Council, his brain-child. Since the facts of economic life have proved to the Conservatives that some solution other than "Tory Freedom" will have to be found to solve Britain's deep-seated and manifold problems, planning is no longer a dirty word and a watered-down version of French type of economic planning may well be inaugurated in the near future.

At the Conservative Party Conference, both Mr Selwyn Lloyd and the Prime Minister strongly advocated the idea of planning and talks between the Government, the employers and the Trade Unions are going on. So far, however, no attempt has been made to explain what form planning will take in practice and what the functions of the National Economic Development Council will be. What seems to be agreed is that planning will not be initiated through the Treasury, but that an external Commission, on French lines, will be set up with a director and a planning staff and with the Chancellor himself as the Chairman. Whether, in the end, the Council will ultimately turn out to be yet another body with ill-defined advisory functions remains to be seen.

Labour Apprehensive

The Government's move has the strong support of the Federation of British Industries. The Federation is insistent, however, that any planning should be entirely on a voluntary co-operative basis and that direction in any form should be ruled out. The Trade Union Congress is a little more suspicious of the National Economic Development Council, though consultations are still going on. Planning and wages are now being kept apart for tactical reasons, but any realist knows that the question of wages is bound to come up as one of the key problems before the Council. The main task of the Council, it appears, will be to bring together

the investment plans of the Government, the nationalised industries and private business. This will be done within the framework of a broad national five-year estimate of resources. In effect, this is nothing more than a watered-down version of the French system of planning which has caused such interest in Britain.

The employers are adamant that the new body must have a high degree of independence from the Government machine. They approve of an experiment in co-ordinating the plans of individual industries with an independent estimate of potential national growth, but would not agree to any scheme that might smack of compulsion or direction. They are particularly nervous about the risk of placing in the hands of a possible future Labour Government, a ready-made instrument of "coercive planning".

State Aid to Private Industry

The question of State money being provided to aid private enterprise was brought into the limelight by the recent abandonment by Cunard of the Q3 project. It will be recalled that in keeping with its election pledges, the Conservative Government agreed to give financial support to Cunard to build a new Atlantic Liner. In the summer, when the bill to enable the Government to do this was on its way through Parliament, many opponents of the project objected to the Government's move. Despite this, the Government went ahead with its scheme and now that Cunard have themselves abandoned the project, the Government has been put in an extremely awkward position.

There is no doubt at all that this episode will have very serious repercussions. The chances of such assistance to private industry in future are very slight. The Government went out of its way to state that as far as Cunard was concerned, it was not prepared to keep open its offer of support. This will mean a reassessment of Government aid to private industry which is going through a difficult period. The Government will now

aim to give temporary help only to private industry. With the prospect of Britain's entry into the Common Market and of the consequent lowering of tariffs and barriers, the Government may take an increasingly critical attitude towards new projects to help private industry. In 1960-61 Government's total assistance to private industry amounted to £ 401 million, of which £ 284 million was for subsidies and other help to agriculture.

Rise in Production Checked

Provisional figures issued early last week, show that in August, the first month since May, industrial output failed to improve. The index for all industries on a seasonally corrected basis remained unchanged at 125, but the index for manufacturing industries (which accounts for three-quarters of the total "weighting" for the index) declined from 127 to 126. However, since this month covers the holiday period, it is difficult to take this as an indication of a trend. August was a bad month for both the car manufacturers and the steel industry. On the other hand, the intense activity in building and civil engineering industries and the continued high level of output of capital equipment by the machine tool and general engineering industries have continued. There is no doubt that the July measures served to accelerate the pace at which industry is running down its stocks and as long as this continues, efforts to increase output will be frustrated.

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Letter from South

Election Prospects in Andhra

THE Andhra Pradesh Congress can claim to be the first among the State Congress parties to finalise the list of Congress nominees to contest the general elections. It was not an easy task by any means. Apart from having to sift about 1,200 applications for about 360 seats in the Assembly and the Parliament, the election committee had to reckon with the inescapable factor of group loyalties in the Congress organisation. The position in this respect had improved considerably during the last few months, the need to organise to win the elections proving a decisive factor in reducing the virulence of the group spirit. Yet as group loyalties in the political field cannot be altogether extirpated, selection of candidates could not have been completely free from their influence.

It was good that the Pradesh Congress President constituted a screening committee under his chairmanship, consisting of the leaders of the erstwhile rival groups in the organisation, to make a preliminary selection. It must be said to the committee's credit that it succeeded in arriving at unanimous conclusions in respect of nearly 300 candidates for Assembly constituencies. This rendered the task of the election committee easier. However, the Chief Minister, D Sanjeevayya, wanted a revision of the list in about 60 cases. Subsequently, by patient negotiation and persuasion, the Chief Minister was induced to give up his objections to a number of selections, with the result that an agreed list emerged.

Sectional Demands

The selection committee had also to reckon with the demands for accommodation from different sections. The most persistent and powerful of these came from the Harijans, who had an ardent supporter in the Chief Minister. According to the Pradesh Congress President, apart from the seats reserved for Scheduled Castes, for which naturally Harijan candidates had to be offered tickets, about 20 young men, mostly Harijans, have been chosen for other constituencies. The small number of women candidates selected has been the subject of comment, as also the limited number of Muslims who have

been given the Congress ticket. It was, however, inevitable that to ensure unanimous selection, and in the interests of the party's success at the polls, certain directives and principles, such as that women, youth, the minorities and the backward sections should be accorded preference and should be selected in adequate numbers, had to be sacrificed in certain cases. It is doubtful if another equally important principle, namely, eschewal of caste considerations in selection of candidates, has been adequately recognised. The candidate's chances of securing the votes of the predominant caste in a constituency appear to have influenced the choice in not a few cases.

All M Ps from Andhra holding ministerial positions at the Centre, except Shri K Raghuramiah, Union Deputy Minister of Defence, have been given Lok Sabha tickets. These include the Speaker of the Lok Sabha, Shri Ananthasayanam Aiyangar, Shri B Gopala Reddi, Union Minister of Works, Housing and Supply, Shri Mohiuddin, Deputy Minister in the Transport and Communications Ministry and Shri B B Murthi, Deputy Minister in the Community Development Ministry. Shri Raghuramiah has asked for, and has been given, a ticket for the State Assembly. Quite a few important developments in State politics may follow his success in the elections. He is expected to be a powerful contestant for the leadership of the State Congress party and, consequently, for the Chief Ministership.

With the preliminary hurdles successfully negotiated, the list now goes to the Central Election Committee for final approval. There are not likely to be many "appeals" against the Pradesh Committee's selections, because, irrespective of the position taken up earlier by leaders of groups in respect of the choice of certain individuals for Congress nomination, it is now generally realised that it would weaken the party's position in the elections if it did not present a united front. If this attitude is maintained through the next few months of election campaigning, the Congress is bound to romp home to victory and power. It is interesting to remem-

ber that the 1962 general elections will be the first in which the Andhra region of the present Pradesh will participate in ten years—the last election in this region was held in 1952. In Telangana area, however, the voters will be going to the polls after the usual five years.

Communists Down, Jan Sangh Up

What about the other parties? The Communist party is yet to show its hand fully. The Andhra branch of the party is known to be extreme in its views even in the councils of the all-India party. In recent years the party has been chewing the cud of its 1957 defeat and appears to be reconciled to the practical impossibility of gaining in effectiveness as a political force in the coming elections. During the last few months the bastions of the party in districts like Warangal and Khammam have been weakened by the exodus of a number of card-holding members to join the Congress. This is worrying the local leadership a good deal and if the trend persists it would adversely affect the party's election prospect in areas where a few years ago it held almost unchallenged sway. Even otherwise the chances are that the party would come in with fewer seats than in the last elections. It may even lose its position as the chief opposition in the State Assembly. The party will set up about 150 candidates, which is an indication that it is proceeding with caution and does not wish to fritter away its energies and resources in challenging the Congress and other parties in all constituencies.

A striking feature of the situation in Andhra, as in some other States, is the emergence of the Jan Sangh. The Sangh was unheard of in Andhra five, or even three years back; but it is now planning to set up about 115 candidates for the Assembly. The visits of Jan Sangh leaders to the State are becoming more frequent, which is also an indication that the party regards Andhra as a potential field for exploitation. The Swatantra party is expected to set up about 110 candidates, the Praja Socialists about 50, the Republican party about 50, and the Praja party about 100. Though

October 28, 1961

so far no active efforts have been made in that direction, it is quite on the cards that some of these parties may arrive at some electoral arrangement to avoid fruitless contests among themselves and to concentrate on defeating the Congress or the Communist candidates.

Wanted: Master Plan for Rayalaseema

While the coastal districts and, to a certain extent, Telangana have been having a surfeit of monsoon, Rayalaseema finds itself in the grip of a famine for the fourth year in succession. A long-term programme to permanently rid the area of drought has been long overdue and has been discussed from time to time. Last year when the area was hit by famine, the Centre made a grant of a crore of rupees for various ameliorative and relief measures, principally digging wells and repairing irrigation tanks and supplying foodgrains at subsidised rates. The State Government also gave grants, remitted land revenue and provided other facilities. The promise was then given that permanent measures to meet the recurring famines would be discussed and a master plan would be evolved. But a year has gone by and once again a series of temporary measures is being implemented to provide relief to the famine-stricken. Such measures are essential, but the fulfilment of the assurance about a master plan to free Rayalaseema from utter dependence on the weather God and to create avenues of permanent and gainful employment to the people should not be further delayed.

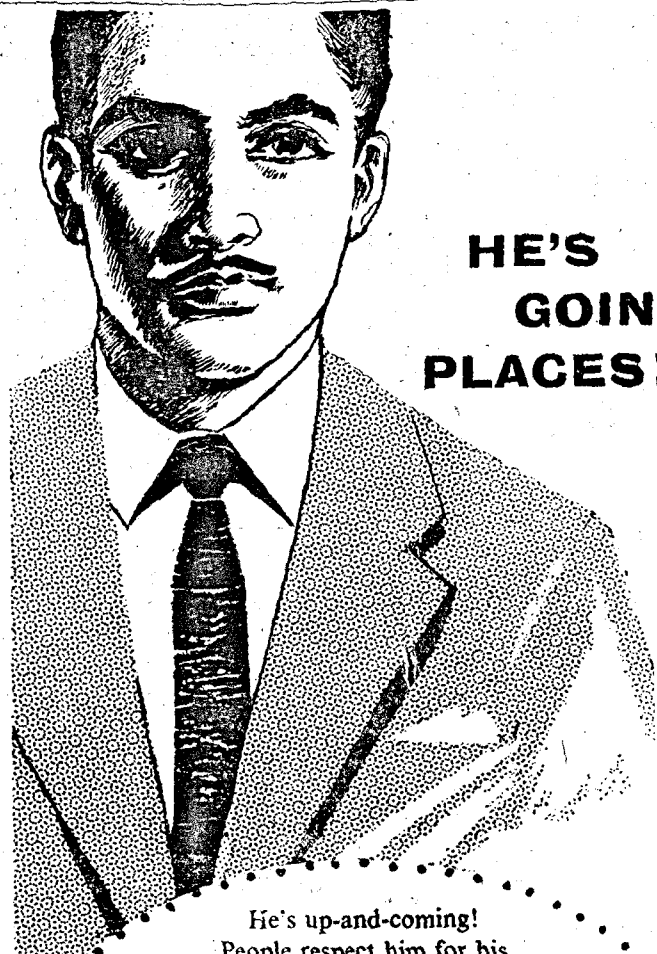
A long term plan must provide for extensive well construction, supply of power for pumping water from tube-wells and working of filter points, execution of a comprehensive programme of establishing cottage and small industries and immediate completion of the construction of the irrigation canal under the Tungabhadra project which would provide adequate irrigation facilities.

The establishment of a Rayalaseema Development Corporation with adequate finances and expert technical personnel has been expected for some years but is yet to take practical shape. Even if such an organisation is not favoured for some reasons, there is ample justi-

fication for entrusting the responsibility for execution of all development programmes aimed at ensuring permanent relief to the area from famine to a single high-power agency

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like the Revenue Board. Only through such a programme can the annual migration of large numbers of people to neighbouring areas in Mysore be stopped.



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Official Paper

Asian Agriculture Turns the Corner?

Dhires Bhattacharyya

The State of Food and Agriculture 1961, Food and Agriculture Organisation of the United Nations, Rome, 1961. Pp viii + 177, price \$ 2.00 or 10s.

FOR several successive years now the F A O Reports on the state of Food and Agriculture have been pointing out that the greatest improvements in food supplies are taking place in those regions of the world that are already better fed and the worse-fed areas are tending to fall further behind. Higher standards of consumption in these latter areas, as compared with pre-War years, are being maintained by restricted exports or greater imports (often financed by liberal foreign aid) and not by greater domestic production. Indeed, in some of these backward areas the pre-War per caput level of production is yet to be reached, while in others the production at home does not justify the levels of consumption being currently maintained.

One encouraging feature of the latest F A O Report on the subject is the changing picture in the Far East (excluding Mainland China). This is the region with the lowest per caput production of agricultural commodities. (This region includes Burma, Ceylon, Taiwan, Malaya, India, Indonesia, Japan, South Korea, Pakistan, Philippines and Thailand.) But it appears that for the last three seasons at least this region has been maintaining a fairly high rate of expansion as compared with the rest of the world and in 1960-61 this region as a whole may have regained the average level of production of the immediate pre-War years. Though this average is very low, one hopes that this rate of expansion (about 3 per cent per year) can be maintained over a long period in the future and a reasonably high level of agricultural productivity can be reached in this densely populated region. It is worth noting that food products, specially foodgrains contributed largely to this remarkable increase in agricultural production.

Can this improvement be sustained? The answer depends on how firmly the recent (often hastily conceived) land reforms through-

out this region have taken root and to what extent the farmer in this region is being permanently won over to more productive methods of farming. Agricultural extension is a new concept (at least in its more recent adaptations) in most countries of this region. The extension services have not yet been properly built up and experiments in methods of communication with the farmer are yet to yield perfect results. It is very appropriate that the F A O has chosen this important juncture to incorporate in its Annual Report for 1961 a survey of land reform measures, agricultural research and education and agricultural extension services in the relatively backward regions of the world.

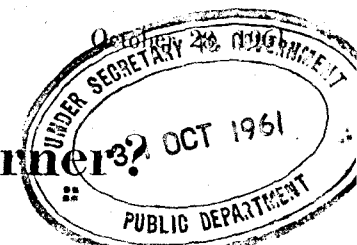
Growing Interest in Cooperative Farming

It is remarkable how rapidly the structure of land ownership and management has been changing throughout the world since the end of the Second World War. Not every country, of course, has adopted the moral overtones which we in India associate with such activities as the Bhoodan Movement. But, as the F A O Report notes, "there are very few countries in the world today where some progress toward creating a secure position for the farmer and assuring him of a just return for his labour is not taking place". At the same time, technological considerations which go against the creation of many 'uneconomic' holdings out of purely redistributive motives have begun to assert themselves. The Report brings out this issue in a couple of lucid sentences: "With socially advanced and democratic Governments in power it is no longer difficult to redistribute means of production by a perfectly legal process. But as the purpose of such redistribution is to provide opportunities for progressively greater productivity, emphasis is being placed more on organisation and techniques than on legal status". The Egyptian dictum that "low yields are a greater

enemy to the cultivator than the landlord" is quoted as a basic principle; it seems to have guided the greater part of post-War land reforms all over the world.

While the value of individual initiative and enterprise is recognised everywhere, the suitability in certain circumstances of some 'integrated' or 'institutionalised' pattern of farming is also being more correctly appraised. This is just another instance of how notions of free enterprise have to be adapted in the light of newly discovered technological requirements of efficient farming. The Report points out how in recent years measures of land-reform in the densely populated agrarian economies have simultaneously given rise to an interest in some form of co-operative cultivation. Not that there is any 'ideal' form of co-operative farming that suits all countries irrespective of their social and economic conjunctives; but almost every country that has in recent years initiated measures of land reform is 'currently engaged in discovering the form of co-operative farming which best suits its needs'.

The abolition of landlordism, a necessary measure of reform, has, in certain cases at least, created a void. This, in its turn, has called for a fresh appraisal of Government's relationship to the farming community. "While the worst landlords had been non-functional and, on expropriation, were not missed, many had provided some services although they levied an unjustifiably high charge for them". With the disappearance of the landlords these services — for example, the supply of capital, technical assistance and marketing facilities — have in most cases to be provided by the official agencies. Land reformers have thus come to grapple, as best as they can, with the problems of positive progressive land management. It can hardly be claimed or believed that efficient extension services are available in all those countries where farmers have been only recently emanci-



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pated from their age-old bondages. But governments have now got to provide these inevitable concomitants of land reform measures, if the farmers are not to be left in the lurch.

The F A O Report recognises the danger that agricultural extension may simply be old wine in new bottles and hence seeks to formulate some general principles which extension services in the newly developing countries must adopt if they are to be of service to the farmer. The need to diversify methods of extension teaching to suit local conditions is stressed and the importance of seeking out local leadership is given adequate recognition. The Report is quite outspoken about the failure in many of these countries to co-ordinate extension activities with agricultural education and research. A closer link-up between research and extension could be more fruitful and opportunities given to trained teachers to engage in research would have paid rich dividends. As things stand at present, "training is too theoretical and academic. The practical side is not given sufficient attention. The curriculum is often too rigid and not adjusted to local farming realities; the courses do not provide for realistic teaching in agricultural economies, farm management, agricultural extension and rural sociology". In spite of these drawbacks, some of which at least time and experience should normally eliminate, there is no doubt that the developing regions have made some progress since 1945 with the organisation of agricultural training and extension services. The requirements of the moment are: provision of more funds, of more and better trained personnel, and of a greater emphasis on field and applied work.

An important role is assigned to international cooperation in the field of agricultural research, thus enabling the relatively backward countries to draw upon the fund of knowledge available to the more advanced regions. If agricultural research and extension services have caught on in the newly developing economies, it is in no small measure due to the increasing flow of technical assistance from the advanced areas since the end of the Second World War. Unfortunately, many international contacts are

not the most effective so far as the determination of national agricultural policy is concerned. The key personnel often remain absorbed in routine-work while scores of less important officials feel frustrated because they receive some sort of instruction and are unable to put it into practice.

Gains in agricultural productivity, however, will not be an unmixed blessing for countries which depend upon exports of agricultural commodities to secure their requirements of manufactured goods. It is disquieting to find from the Report that the average unit value of all agricultural exports fell in 1960, to its lowest post-War level. The terms of trade (approximate) for agricultural exports since 1953 are given below:

Index Numbers of Terms of Trade of Agricultural Exports

For all regions of the world except U S S R, Eastern Europe and Mainland China (1952-53 = 100)

	1948-52 (Average)	1953	1954	1955	1956	1957	1958	1959	1960
	103	99	103	97	91	90	84	82	80

The volume of trade, however, has been rising and gross earnings from agricultural exports rose by about 6 per cent between 1959 and 1960. The backward regions of the world, however, had little solace in

this, since this rise was mostly accounted for by larger agricultural exports from Western Europe and North America. In the Far East there was a rise of 18 per cent in total agricultural imports (of which foodstuffs make up about 60 per cent). For the first time in recent history, this region has become a net importer of agricultural products.

Some part of the agricultural exports from North America is, however, non-commercial and sent out under special programmes of Government assistance. India, for example, received in 1960 about 4.3 million tons of wheat from the USA under these special terms and some amount of rice. One of the tasks in which the F A O is currently engaged is the constitution of a Fund of food surpluses so that the abundant supplies of food in some areas can be used to relieve want and foster development in the less fortunate countries. Many of these countries are now in a stage when more food supplied to the workers at concessional rates will enable them to raise their productivity and make fuller use of the technical facilities that are provided by various national and international agencies. At the same time, the export interests of some of these backward countries have to be more firmly supported by the F A O so that they may have a real interest in improving productivity.

Table 1: Food Supplies Available for Human Consumption in Selected Countries in 1959-60 (In kg per caput per year)

	Cereals	Starchy roots	Pulses	Sugar	Fish	Meat	Eggs	Milk	Fats
U S A *	66	47	6	41	5	94	20	307	21
Canada	71	63	5	45	6	82	16	274	19
U K	84	88	9	41	10	71	15	235	22
West Germany	85	139	4	27	7	54	13	220	25
Sweden	75	99	4	39	18	52	10	320	21
Italy	142	53	13	20	4	27	8	134	16
Yugoslavia *	183	73	10	14	2	27	3	149	11
Japan *	151	66	18	14	23	6	4	20	4
India **	143	12	30	14	1	2	0.2	50	4
Pakistan **	147	6	7	16	2	4	0.3	47	3

* Relates to calendar year 1959

** Relates to 1958-59

Table 2: Indices of Per Caput Agricultural Production (Base: Average 1952-53 to 1956-57 = 100)

Region	All agricultural products	Food products only
	Pre-War Average	1959-1960
Western Europe	93	109
Eastern Europe & U S S R	84	123
North America	88	100
Oceania	103	105
Latin America	109	106
Far East (excl Mainland China)	110	106
Near East	94	105
Africa	92	98

Special Treatment Policy

Lelah Dushkin

Nowhere is so large an under-privileged minority granted so much special treatment as in India.

The special treatment policy gives statutory recognition to the social separation of the scheduled castes in order to bring about their integration with the rest of the community.

The backward classes contribute to the poverty, ignorance, and psychological and economic dependence, of which they are the worst victims. This is the basic assumption on which the Government's special treatment policy is based.

The latest trend in official policy is to expand concessions based on economic criteria and circumscribe those based on caste. This, however, is neither the obvious nor the appropriate way to end reservations and related concessions.

The expansion of reservations for backward classes for admissions to technical institutions in Mysore, the establishment of single member reserve constituencies and the Supreme Court's endorsement of reservations for promotion in Government services — these three developments in the current year do not augur well for the abolition of special treatment in ten years.

[The author has made a special study of the problem of backward classes. In the present paper, which will be printed in parts, she studies in detail the special treatment policy, the legal provisions for removal of disabilities and the official programmes to assure the backward classes adequate political representation and their share in education and Government jobs. In the concluding part she will examine the future of special treatment and the criteria for and manner of its abolition.]

MORE than a third of the Indian population belongs to the Backward Classes. Little known outside India, this fact is perhaps not as fully appreciated inside the country as it should be. "Backward Classes" is an official term for about 15 crores of people, as of 1961. They form the bulk of those for whom special provision is made in Part XVI of the Constitution, the other two groups being the Anglo-Indians and the tribes of NEFA.

About two-fifths of the Backward Classes belong to the Scheduled Castes, a little less than one-fifth to the Scheduled Tribes, nearly two-fifths to the Other Backward Classes, and the remainder to the Denotified Tribes. The first two are called "Scheduled" because the Constitution requires the President to list them in the appropriate Schedules for each State. The President's Orders issued in 1950-51, can be amended only by Act of Parliament. They were so amended in 1956, and the 1951 Census figures have been adjusted accordingly.

Categories and Subdivisions

Because policy matters pertaining to the Scheduled Castes have implications for the other groups, it will be helpful to define each of the Backward Class categories and its subdivisions.

The Scheduled Castes (SC), also known as Untouchables or Harijans, had a population of 55,327,021 in the 1951 Census. Formerly called Depressed Classes, they were first Scheduled under the Government of India Act, 1935, on the basis of an all-India set of criteria for determining their "untouchability".

The Scheduled Tribes (ST), also called Adivasis and Girijans, numbered 22,511,854 in 1951. In the 1935 Act, the areas in which many of them were concentrated were Scheduled for purposes of special protection. In 1950-51 the tribes were Scheduled as Tribes for the first time, while the Scheduled Areas were retained. In the half-dozen States for which figures are available, an average 45 per cent of the tribals live in the Scheduled Areas. There is so much variation among tribes that no definite all-India criteria could be applied in listing them. The lists were derived from older Censuses in which the tribes had appeared under a heading of Tribal Religion, and there is still some confusion on this score. The least common denominator usually cited today is a combination of their physical isolation and their tribal culture and social organisation. Official policy is ostensibly geared at the promotion of their economic advancement and integration into the national body politic, but with-

out destruction of their own tribal culture. In this they are unique among the Backward Classes. For all the other groups, at least one of the announced aims is the total elimination of the bases on which they were listed.

The Denotified Tribes, or Vimukta Jatis, are the former Criminal Tribes. They became "ex-Criminal" when the Criminal Tribes Act of 1924 was repealed in 1952. Their population is estimated at upwards of 40 lakhs, of whom more than half live in U P. Although U P lists several of them as Scheduled Castes, most States count them all as Other Backward Classes. They pose certain special psychological, social and economic problems, however, and have come to be treated as a separate fourth category for administrative and budgetary purposes.

"Other Backward Classes"

"Other Backward Classes" (OBC) is the official name for those who are vaguely referred to as "socially and educationally backward classes" in the Constitution. The concessions they receive are mainly educational. The OBC population is at least six crores. The name, if undignified, is at least accurate, for this is a catch-all category. Repeated efforts by the Centre to devise a workable set of criteria for drawing up an all-India list of OBC have thus far

proved unsuccessful. At present, the State lists continue to be used. These vary widely, having been drawn up over the years in response to the particular conditions and political pressures of the States concerned. In general, they include the following groups:

(1) Converts to Christianity, Islam and Buddhism from the Scheduled Castes.

(2) The tribes currently being recommended for inclusion in the ST and miscellaneous groups and individuals who are either no longer Scheduled or are Scheduled in their native States or Districts but not in the ones in which they reside.

(3) Numerous quasi-tribal groups, frequently small in size, which are not quite Adivasis, not quite Harijans, but suffer from most of the same problems and disabilities. These are the "most backward" among the OBC and stand in very real need of assistance. Usually on the periphery of established society, many, if not most of them, are nomadic or semi-nomadic and have some characteristics in common with the Denotified Tribes.

(4) Well established castes (some of them Muslim) in the lower middle ranks of society. Some are quite large and gaining political power regionally through the ballot box. In the Backward Class context for "classes" read "castes" and for "socially backward" read "low in the traditional social hierarchy", for this is essentially what the terms mean. It is in applying this concept that the OBC list-makers have encountered the greatest difficulty. And it is in this section of the OBC that there has been the greatest expansion of the lists. It is here that there is the greatest variation among the States. In some States like U P, the OBC include, in effect, every non-Harijan caste which does not have twice-born status plus a few which claim it. The upper line is a good deal higher in the South. In Mysore, until very recently, everybody belonged to one of the BC except the Brahmans. This is as far as the trend towards expansion of the OBC has been carried in any State. Nobody has included the Brahmans yet!

(5) An opposite trend is gaining momentum in some areas: shifting the award of educational concessions from a caste to an income basis

while retaining a much-reduced caste/tribe OBC list for purposes of other schemes. Bombay was the first to do this throughout the State, and the system has been carried forward by its successor States. Having done away with the list of OBC by caste, Gujarat and Maharashtra are now instituting separate unified lists of Nomadic and Semi-Nomadic Tribes for certain special schemes.

Untouchability

Let us take a closer look at that definition of the Scheduled Castes and the thinking that lay behind it. Although the immediate incentive for listing the Scheduled Castes was the impending award of statutory reserved seats, this paper will not deal with any ulterior British motives for encouraging such SC safeguards vis-a-vis the nationalists. The case will be argued on its own merits.

The castes were ostensibly listed by their untouchability, but just what is untouchability? The word is actually used in two different senses: (1) The stigma attached to certain people because of the ceremonial pollution they allegedly convey. It is a stigma by caste, not by individual; from birth, not from deeds performed; it lasts throughout life and cannot be ritually eliminated. The concept of ritual pollution (by birth and by deed) pervades the whole traditional caste structure. The characteristic of this stigma is that the Untouchables' pollution is so great that society has to protect itself against them.

(2) The set of practices engaged in by the rest of society to protect itself from the pollution conveyed by the Untouchables. This is the most common meaning of the term. Untouchability is rarely defined in a sentence; it is usually described in terms of the most important civil, social and religious disabilities inflicted on the Untouchables.

But there is more to untouchability, not by definition but in fact and popular belief. In traditional society there is a strong correlation between the socio-religious status ascribed by birth into a caste and the political, economic and educational levels of the caste's members. It means that the man at the bottom on one scale will be at the bottom on the others, for the various systems are intimately interrelated and interdependent. It is assumed, then, that untouchability contributes

to, and is a part of, the extreme poverty, ignorance, exploitation, and psychological and economic dependence from which the Untouchables suffer more than any other group, and conversely, that poverty, ignorance and the like contribute to, and are a part of, untouchability. Whether or not the assumption is always correct, it is the essential consideration throughout the present paper. It is the primary assumption on which Government policy is based and the principal determinant of the official definition process.

The Scheduled Castes

Anyone who thinks it was easy to list the SC should read the Reports of the 1931 Census authorities, who did most of the work, and the other discussions of the day. It was not easy. The full range of disabilities and customary codes of behaviour for the Harijans of any particular locality are quite specific. But they vary widely in kind, importance and detail among regions, among districts, between rural and urban areas, among villages, and among Untouchable castes in the same village. Everyone knows who the Untouchables are in his own baliwick, but when it comes to listing them on a regional or national basis, there are numerous difficulties of definition and interpretation. The main features of the definition process may be summarised as follows:

(1) The SC were defined as the Untouchable Hindu Castes and untouchability was defined solely as a socio-religious status ascribed by birth. The agreed definition of the SC was, "castes, contact with whom entails purification on the part of high caste Hindus." Five of the criteria used in the 1931 Census were the main disabilities which express this concept of touch or distance pollution. Two were religious: temple entry and services of "clean Brahmans". Two were social: services of the same barbers, water-carriers, tailors, etc., who served "high caste Hindus" and the rules concerning acceptance of water. The fifth was civil: access to public facilities such as roads, wells and schools. The remaining criteria were to exclude castes from the list. Thus, if an educated caste member were treated as a social equal by a high caste man of the same education, or if a caste were depressed only because of its occupation, ignorance, illiteracy or poverty "and but for that would

be subject to no social disability", the caste was not to be Scheduled.

The criteria were workable enough in many areas, but in parts of the extreme South they broke down because touch and distance pollution pervaded the whole caste system, so additional criteria were applied. In the northern most provinces they broke down again because touch and distance pollution were not expressed uniformly enough to be applied strictly without excluding most of those who, the authorities felt, stood most in need of safeguards. Thus many castes listed in the North would not have been listed in the South. The additional criteria in both areas were illiteracy and poverty.

Whatever might be the criteria, the position of the SC in each Province or State was at the bottom of the socio-religious hierarchy as it existed there, and they were Scheduled at least partly on that basis.

(2) It was the socio-religious separateness by which the SC were defined that was to be eliminated, directly or indirectly, by special government action. In other words, temporary statutory "separation" was accorded to the SC for purposes of making them "unseparate". This is one of the basic paradoxes of the whole situation and poses innumerable problems of ends and means.

(3) Although the castes were defined in socio-religious terms, the measures envisaged by the Government on their behalf were not social and religious, but political, educational and economic. This is less true today than it was three decades ago, but the basic position remains the same.

(4) If the elimination of untouchability had been the only object of these measures, the castes would never have been listed. The social and religious disabilities were not then construed as a proper subject of Government action. Although they are now, there are definite limits on what the Government can attempt or accomplish. The civil disabilities could legitimately be dealt with by better enforcement and support of legislation already on the books.

(5) The main purpose of awarding the Untouchable castes statutory concessions is social and economic: to provide for the improvement of their material and cultural condition

and the elimination of their political, economic and psychological dependence on the higher castes. When the socio-religious criteria of untouchability broke down, this was the consideration employed.

So long as the old correlation exists, however, it does not matter much if one lists the SC on one basis and deals with them on another; one comes out with the same people. It begins to matter very much as the correlation starts breaking down, and this is what is happening today.

Government Concessions

A Government dealing with a socially defined under-privileged minority can adopt either a principle of equality — of discrimination neither for nor against — or of inequality favourable to the minority group. If it grants its favours unequally, it can do so either on the basis of the social category of the group or by some other category of need which may not coincide entirely with the social category.

To illustrate these three alternatives in relation to the Harijans, equal treatment includes such things as the Fundamental Rights provisions of the Constitution and any concessions or facilities which are provided to everyone, such as universal compulsory primary education. Unequal treatment on the basis of the social category refers to the statutory safeguards for the SC and all other concessions granted to them on the basis of caste. In education, for example, this would include fee remissions to Harijan pupils, whether or not a means test is also applied. The third alternative refers to all facilities and benefits that are conferred unequally by the appropriate criterion of income, merit or need other than caste. In education, to complete the illustration, this would include the income-based scheme of Maharashtra and Gujarat. Most of the development assistance and welfare programmes of the Five Year Plans also come under this heading. The Harijans are sometimes the principal beneficiaries, not in their capacity as Untouchables, but in their capacities as landless labourers, slum dwellers, displaced artisans, etc.

The second alternative is the crucial one for a study of SC policy. For convenience, these concessions will be called "special treatment" or "caste concessions" to distinguish

them from the third kind which is based upon need or a means test, irrespective of caste.

There are two basic types of special treatment: expenditures and reservations. The first includes grants, loans and any other concessions involving Government expenditure, from free bullocks to housing loans, scholarships to well construction. The second is adopted mainly for political representation and employment with Government. It is also used, at times, for such things as admissions to academic institutions, land allotments, etc. It is often accompanied by other legislative or executive provisions modifying the rules on behalf of the Harijans.

Reservation is also of two main types. In politics, the reserved seats cannot be held by any one else as long as reservation lasts. But in most other cases, the concession remains reserved for a stipulated time period and is then thrown open if there is no qualified Harijan to take it. (In such cases, the reservation sometimes passes on to the next vacancy.) In Government jobs and academic admissions, reservation usually operates within that group of candidates which has attained the minimum prescribed qualifications but does not score high enough to be selected on merit.

The essential principle of special treatment of both the expenditure and reservation types is that it safeguards the opportunities provided for the under-privileged minority by preventing others from taking advantage of them. It does not mean that all Harijans automatically get the Government jobs, houses, or scholarships, for they must also qualify for them on some other basis, however liberal. It means simply that no one else can get them, no matter how well qualified or needy one may be.

The Special Treatment Policy

India is unique in that nowhere else is so large an under-privileged minority granted so much special treatment as in this country. One way of formulating the special treatment policy has already been indicated: it gives statutory recognition to the social separation of the SC in order to bring about their social integration. Other ways sound just as paradoxical. The purpose of special treatment is to create

conditions of equal treatment and opportunity (a "casteless, classless society", in the current phrase). Or again, special treatment is designed to break down the traditional correlation on which the policy is itself based. One can go on, but this should be sufficient. Most of the practical problems of ends and means, which are ever-present, boil down to the question of whether one is to emphasise the separation-special treatment part or the integration equal-opportunity part of the sequence.

In a country whose public philosophy puts so much stress on means, rather than ends, why is the special treatment policy adopted? The principal reason reflects a combination of the correlation already described and suspicion of the motives of "those at the top. The higher castes have numerous resources at their disposal to ensure that the castes at the bottom will stay there. They were using those resources despite a large body of equal treatment legislation which had been on the books for many years, and they would continue to use them. Whether one liked it or not, the only realistic way to provide opportunity to the lowest castes was to

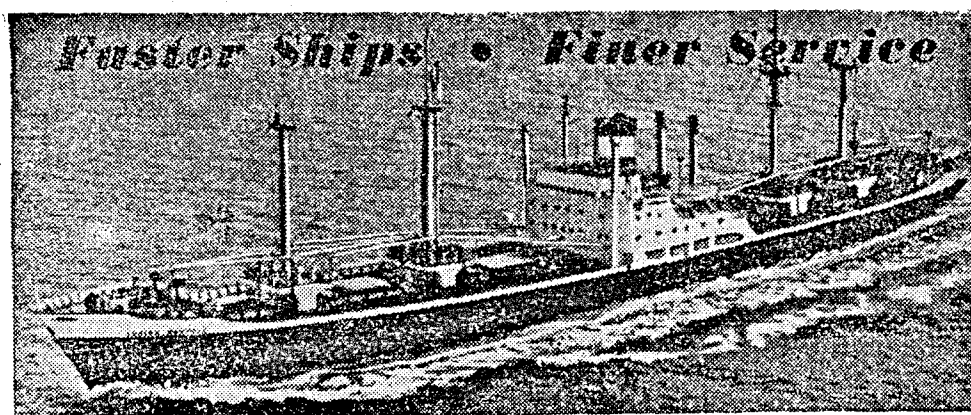
guarantee it by preventing members of other castes from taking advantage of it. Whether this was, in fact, the only realistic way is a moot point. Suffice it to say that special treatment was and is still regarded as a "necessary evil" on the ground that the imposition of a legal framework of equal treatment would simply perpetuate the existing inequality.

Another factor is very much in operation: the popular assumption that increased emphasis on welfare means increased special treatment. The assumption may be illogical but it is pervasive and powerful. It goes back several decades and has always had its critics, but it has flourished since 1935 and has grown luxuriantly since Independence and was first called into question seriously only about five years ago (in connection with the OBC, not the SC) around the time the Backward Classes Commission submitted its report.

What are the risks in the special treatment policy? There are many, of course, but one is especially important. It has to do with the award of scholarships, Government jobs, and political posts, not to castes as such, but to individuals partly on

the basis of their caste membership. The object is that talented individuals can thereby receive the advantages and recognition they deserve and which they would not otherwise receive. Recognition of untouchability, in other words, is intended to free talented individuals from the stigma of their birth. But neither they nor anyone else can forget the stigma as long as the recognition survives. As is well known, caste concessions inevitably build a vested interest in their own survival. That it is only natural for the beneficiaries to want them to continue does not lessen the obvious dangers to public standards and to Harijan self-reliance and self-respect, if this new officially sponsored form of caste nepotism is allowed to become firmly established.

This is the risk built into the special treatment policy: that the first part, the caste concessions, will become so deeply entrenched that the second part, the conditions of genuine integration and equal opportunity, can never come about. Or in other words, that the Indian public will forget that its special treatment concessions are by nature temporary.



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The Surplus Principle of Price Fixation

N K Rohatgi

The author examines the principle of price fixation adopted in the case of steel, coal, sugar and electricity undertakings. He is unable to find any uniformity in them.

He also finds it frustrating that the manner in which the statistical data is presented in the Tariff Commission reports or in the report of the Coal Price Revision Committee does not enable a research worker to form an opinion about the principles adopted for price fixing.

[The author is thankful to Dr K A Naqui, Professor P V Ramanadham, Dr A M Khusro and Shri D U Sastry for their valuable suggestions to him on this note. They are not, however, responsible for any errors or omissions which may still remain.]

THERE are three norms of price fixing broadly speaking, namely, (a) Price = marginal cost of production, (b) Price = average cost of production, and (c) Price = average cost of production (including normal profit) plus some 'surplus'. This last norm is the surplus principle of price fixation for the purpose of this note.

Economists have discussed the first two norms in great detail since 1930's in the context of nationalised enterprises, particularly the public utility undertakings. About surplus principle very little has been written. However, it is this norm of price fixing which is particularly important for an underdeveloped country which is in need of internal resources for planned development.

The main problem which one faces in fixing price on the basis of surplus principle is: what should be the criterion to determine the 'surplus' element to be included in price? This, it appears from the Tariff Commission's reports, depends on the amount of resources needed for rehabilitation, expansion and development of the industry in question. Once this is determined, we have still to decide what part of these required resources can be met from funds available from outside i.e., from borrowing or issue of fresh capital. The balance has to be raised by the industry or company from internal sources i.e., by increasing the price of its product (by increasing the depreciation allowance or the rate of return).

Element of Surplus in Steel Prices

Since 1956, the Tariff Commission have been following the surplus principle of price fixation in the steel industry in order to ensure the desired rate of growth envisaged in the plans of big steel

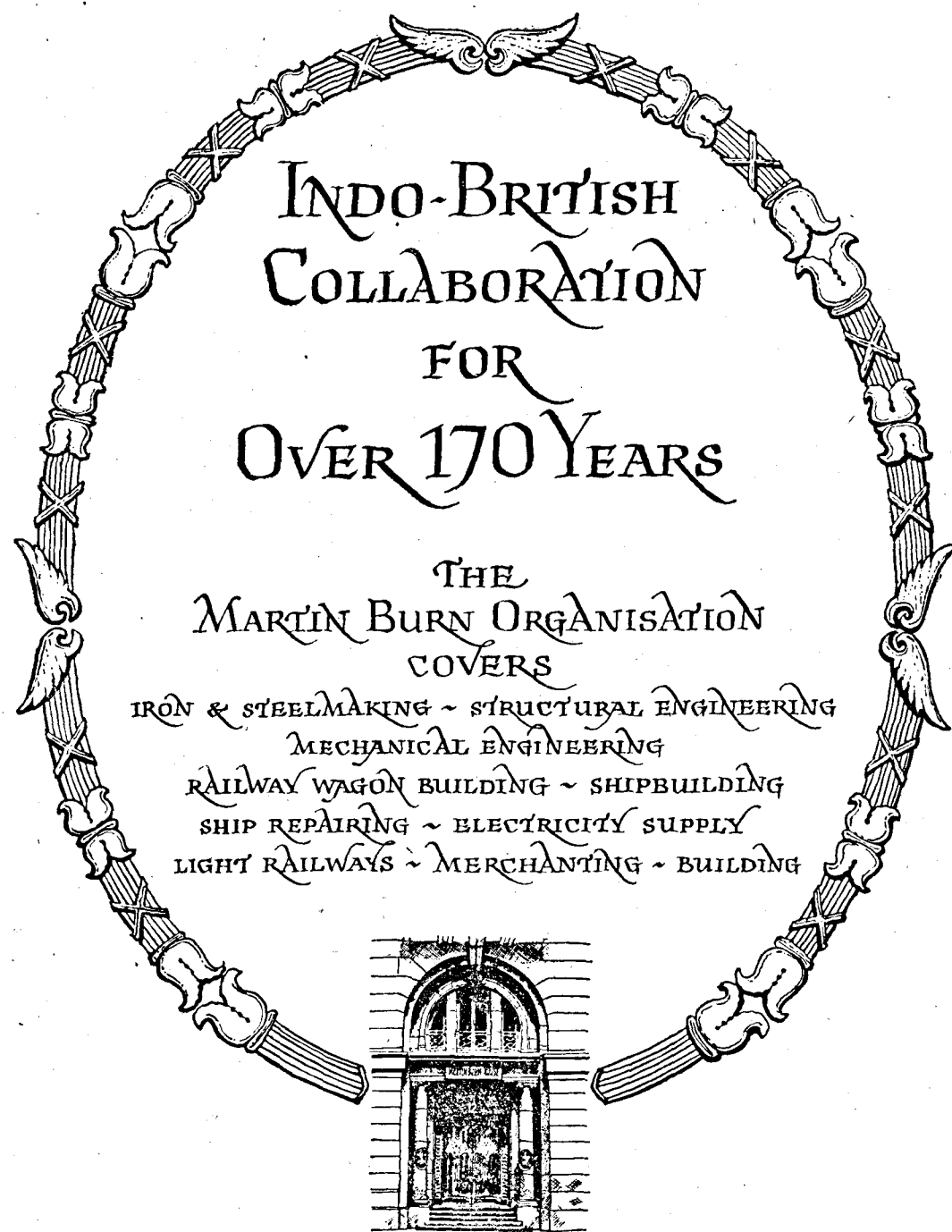
producers. They revised the principles of price fixation on November 30, 1955. It was laid down that "the prices should be such as would enable . . . the companies to obtain a portion of the capital requirements of their current and additional expansion programmes from internal sources and to raise the balance from outside" (Tariff Commission, Retention Prices of Steel Produced by the Tata Iron and Steel Company and the Indian Iron and Steel Company Ltd: Report, Bombay 1956, p 3.) To achieve this aim the Commission proceeded as follows: "We have taken into account the total capital funds required . . . and the amount which they may reasonably be expected to raise from outside and have determined on this basis the amount which they should obtain from internal sources. The internal sources consist partly of depreciation and partly of return". "We propose to include in the new retention prices depreciation at the rate of 6½ per cent on the estimated additions to the block as at the beginning of each year from 1955-56 to 1959-60, in addition to normal and special depreciation" (*ibid.* However, it is not clear from the tables given on the next page as to what was the method of estimating the gross block and to what portion of this gross block the depreciation was calculated.) After providing for this, the rate of return is determined. The above procedure can be illustrated by means of an actual case considered by the Tariff Commission in the above report.*

* It is very strange that an item like sales tax is also included in the estimated capital requirements without giving any justification whatsoever. Presumably this is a tax on machinery purchased; otherwise there is no point in including this item under capital requirements.

In order to determine the level of prices which would enable IISCO to obtain a surplus of Rs 4.82 crores for capital expenditure over the five years from 1955-56, the Tariff Commission estimated its probable works cost and other current charges during this period. "On the basis of the . . . estimates of depreciation given (overleaf), the other expenses expected to be incurred by the company and its receipts otherwise than from the sale of steel, we find that an average retention price of Rs 393 per ton will enable the company to earn the necessary surplus of Rs 4.82 crores over the entire period of price fixation. (Tariff Commission, n2 p 11).

Coal and Sugar

For the coal industry, however, the surplus principle of price fixing is not so clearly laid down. Here the profit element, unlike in the steel industry, includes only that amount which is sufficient to permit payment of a reasonable dividend after providing for taxes. Thus, no adequate provision has been made for the creation of internal resources for development. True, something is added to 'depreciation and development'. (Coal Price Revision Committee on the Bengal-Bihar Coalfields: Report, Delhi, 1959, pp 22-3.) This provision "should be equal to the average capital employed (about Rs 16 per ton) plus 25 per cent of that capital divided by the average useful life of the complex of assets of different kinds constituting an average colliery". (*ibid* p 21) This on the face of their statement "In our opinion the price structure should be such as would enable the industry not only to keep the plant and equipment in efficient functioning, but also to permit of further development," is very strange since the provision for internal resources for



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development provided for appears to be quite inadequate. However, this is only a *prima facie* view because detailed figures for the costs, depreciation and profit provisions are not given in the Report, though it appears that such information was collected (vide forms VI, VIII, IX, IX-A and X in the Report).*

The surplus principle of price fixing is even less apparent in the case of the sugar industry. As is well known, sugar is a highly regulated industry and the 12 per cent rate of return allowed to it by the Tariff Commission will, according to the Commission, provide "sufficient funds for each unit to meet its commitments under bonus and gratuity, interest on borrowed capital and debentures, dividends on preference shares, managing agent's commission and income-tax and finally leave a residue to a large majority of the units in all the regions to declare reasonable dividends." (Tariff Commission, Cost Structure of Sugar and Fair Price Payable to Sugar Industry: Report, Bombay 1959, p 51). There is thus no provision for rehabilitation, development and reserves. The Commission, however, admit "Rehabilitation is no doubt essential in a growing industry, but has to be met mainly from depreciation provisions made in past years....After the needs of rehabilitation are met, the surplus funds, if any, should be applied for purposes of expansion and if they are not adequate for the projected expansion, additional resources should be raised either by issue of fresh capital or by raising

* In view of the tentative target of 97 million tons aimed in the Third Plan, this margin is insufficient and should be re-examined. This view has also been expressed by the President of the Indian Colliery Association in the 28th General Meeting that "the present margin of profit in coal was wholly insufficient to attract fresh capital or plough back enough money into the industry to complete the developments and programmes in the Plan." He thought that it would be wise and realistic to create a financial corporation to assist the coal industry. Besides, it appears strange that the method of estimating of and providing for capital requirements for development of coal industry is different from that followed in the steel industry.

long-term loans." (*ibid*, p 65) On the face of this statement it appears that the Commission have allowed very narrow margin for the rehabilitation (and expansion) of this industry. It is only fair that necessary provision is made in the price of sugar to increase the rate of return. One can, however, raise the point that if the sugar industry is given an adequate return on capital which should be higher than that allowed by the Tariff Commission, it may affect the interest of the consumers. It may be pointed out in this connection that if anything is done which adversely affects the industry now, it will, in the long run, harm the interests of the consumers themselves. For, any impairing of efficiency of the industry

will either raise its costs or reduce the total production or both.

Electricity Undertakings

Contrary to the usual belief about public utility concerns, the Delhi State Electricity Undertaking has been earning net revenue. In 1956-57 it amounted to Rs 29,04,148 and in 1957-58 Rs 35,71,548. (Delhi State Electricity Board, Sixth and Seventh Report and Accounts for 1956-57 and 1957-58, Statement No IX.) This may mean that the Delhi State Electricity Undertaking (the former DSEB) is following the surplus principle of rate making instead of running the undertaking on a 'no profit, no loss' basis. The amazing thing is that many other State Electricity Boards show a loss.

Table 1 : Indian Iron and Steel Company's Estimated Capital Requirements (1955-56 to 1959-60)

(Rs lakhs)			
1	1953 Extensions		
	Total	28.75	
	Less expenditure upto 31-3-55	1.62	27.12
2	Subsidiary Expenditure		
	Land	15	
	Housing	1.50	
	Sales Tax	26	
	General	2.86	
		4.77	
	Less expenditure upto 31-3-55	36	4.41
3	1955 Extensions		11.00
4	Total capital expenditure		42.53
5	Provision for replacements, renewals and improvements @ 40 per cent of the estimated allocations to the Depreciation Fund		3.69
6	Repayments due in 1958-59 and 1959-60		
	I B R D	1.92	3.00
	Government	1.08	49.22

Table 2 : Estimation of Resources for Table 1.

(Rs lakhs)			
A	Funds already available		
1	I B R D (assuming that the closing date would be extended)		12.20
2	Funded interest on I B R D Loan		1.91
3	Government special advance		
	Total	10.00	
	Less drawn upto 31-3-55	1.20	8.80
4	Government Loan		
	Total	5.00	
	Less drawn upto 31-3-55	3.34	1.66
B	Funds expected to come from outside sources (by way of borrowings or issue of fresh capital)		24.57
C	Funds expected to come from internal sources		8.00
1	Depreciation (rounded)	9.23	
2	Plant Rehabilitation Fund (special depreciation)	2.60	
3	Return after providing for the current charges (such as debenture interest, debenture sinking fund, managing agency commission, profit sharing bonus, dividend, etc.)	4.82	16.65
			49.22

Source : This table is compiled from the figures in the Tariff Commission Report.

October 28, 1961

Table 3 : Financial Results of Some State Electricity Boards

State	Year	Profit as % of Capital
Assam	1959-60	- 0.59
Bombay	1957-58	- 1.11
Kerala	1957-58	- 0.44
Madhya Pradesh	1955-56	- 1.74
Punjab	1959-60	- 0.78

Source : Prof V V Ramanadham's paper on Pricing in public sector read at the seminar on Public Enterprises held in Osmania University, Hyderabad-7, February 13-15, 1961.

This might be because there is already shortage of electricity supply in Delhi and to remove the shortage, the DSEU has undertaken extension and development programmes which it aims to finance from internal sources and hence it is making profit. If this is the motive, one would welcome this principle of charging electricity rates on surplus basis.

From the above, it is clear that in the industries we have chosen for examination, no uniform principle of price fixing is followed. In the steel industry we find that the Tariff Commission have started following surplus principle recently, whereas in the sugar industry it is not so clearly spelt out since the Commission disallowed the "rehabilitation charges" demand of the industry. In coal also, the surplus principle is not the basis of pricing. Though the Price Revision Committee allowed some provision for development, it is doubtful whether it is at all sufficient. It is only in a public utility concern viz Delhi State Electricity Undertaking that surplus principle of price fixing is being followed in some degree. It would be interesting to know the reason or reasons for the divergence in the principles and procedures of price fixing (or rate making) in these industries. It may be that the principles of price fixation in these industries have been influenced from time to time by the specific problems of the industries and not by the general requirements of the economy as a whole. For example, the Tariff Commission have been fixing prices of various industrial products on special terms of reference from the Government. One may comment why we should have different principles of price fixation for different industries, and that, too, varying from time to time. Why should we not have a general principle for one sector of

the economy? For example, we may follow the surplus principle in one sector (say, consumer goods sector) and reap profits. These profits may be ploughed back not in that sector but in another sector or sectors (say, producer goods sector) and thus allow development not in

THE ECONOMIC WEEKLY

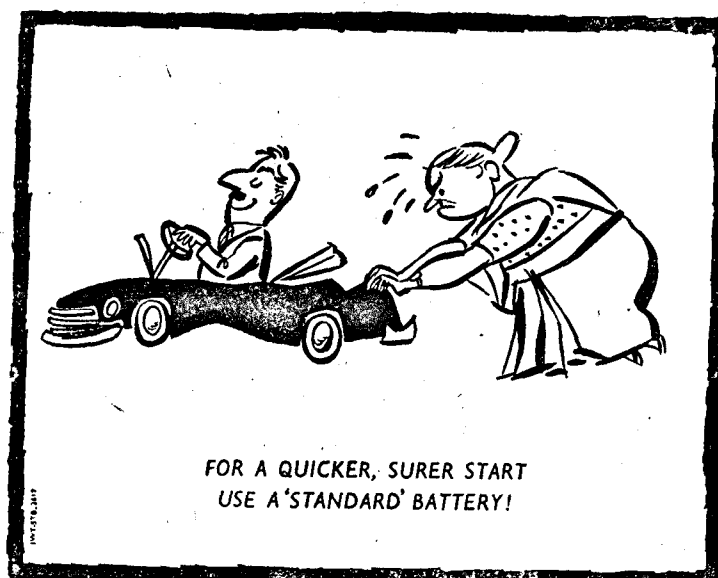
the particular industries making surplus profits but in the economy as a whole. This is only a tentative suggestion which we are putting forward in order to invite discussion whether such a policy is feasible under Indian conditions or not.

Import Control Organisation

DURING the half year ending September 30, 1961, the Import Trade Control Organisation received 2,14,204 applications for import licences, as compared to 1,89,509 during October, 1960-March, 1961 period. Despite the increase in applications, their disposal kept pace with the intake and at the close of the licensing period, only 2,006 applications which worked out to 0.9 per cent, were pending.

In addition to applications for import licences, the Organisation also dealt with a very considerable

volume of correspondence on questions of policy, interpretation of rules and regulations, appeals, etc, from the trade and various chambers of commerce and trade associations. The number of such communications during the period reached the figure of 7.57 lakhs. The Repeat Licensing Scheme which had been introduced earlier was continued. A large number of quota holders benefited from the Scheme and obtained licences within three days of the presentation of their applications.



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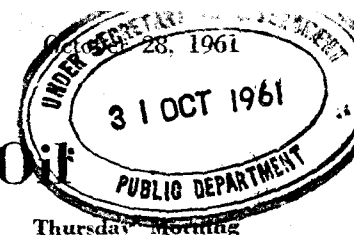
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THE ECONOMIC WEEKLY

Around Bombay Markets

Export Policy for Groundnut Oil

Thursday Morning



THE oilseeds trade has long been pressing the Government for a clear-cut announcement of export policy for groundnut oil, H P S groundnut and expeller cake. But uncertainty in this regard still persists. The Additional Secretary for Commerce, Shri D S Joshi, is reported to have told the representatives of the Indian Oilseeds Committee who met him in New Delhi last week that since the position of the groundnut crop would be clearly known only by the end of the year, it might not be feasible to take any decision on the export quota for groundnut oil before then. And according to a P T I report, the Government will not announce any export quota for HPS groundnut and expeller cake for another two months. All this would seem to suggest that the Government has still to make up its mind about the export of groundnut oil and HPS groundnut. Informed sources, however, do not think that this is really so. The delay in the announcement of export policy is said to be a part of official strategy. It would be naive to suggest that one has to wait till the end of the year for assessing the position of the groundnut crop. It is possible to form a reasonably good idea of the crop by the end of October; the crop movement is almost in full swing in December. There is no doubt that the groundnut crop this year is substantially larger than in 1960. Nobody expects it to be less than 27 lakh tons and there are not a few who think that the crop might exceed even 30 lakh tons.

S T C on the Job

Reliable reports indicate that the Government has made up its mind that exports of groundnut oil will be handled entirely by the State Trading Corporation which has already been put on the job. The Corporation will purchase groundnut directly from growers and/or cooperative societies and get it crushed by co-operative societies at certain fixed charges. The S T C will not only export oil but it will also export HPS groundnut and expeller cake which will be obtained

in the process. While the trade is unlikely to get any share in the export of oil, there is a possibility of its getting small quotas for HPS groundnut and expeller cake. The Government intends to export 50,000 to 100,000 tons of groundnut oil, which should not be difficult in view of the bumper crop this year. Of course exports will have to be effected at a huge loss — the disparity between Indian and foreign prices of groundnut oil works out to around £ 26 to £ 27 per ton for December-January shipment. Export of HPS and groundnut expellers is not unremunerative and perhaps the only objection against releasing an export quota for expellers is that it is likely to disturb the market for extractions. Inquiries with the trade indicate fairly good overseas demand for HPS groundnut and Canada is reported to have purchased considerable quantities subject to export licences for November-December shipment. With the Government's reported decision not to announce any export quota for at least another two months, exporters will not be able to put through any business in the near future. Whether exports should be handled by the STC or the trade is a moot point but there is no gainsaying that overseas demand must be tapped when it exists. Foreign buyers cannot be made to wait till the Government of India takes important policy decisions.

Informed sources believe that the Government has not yet made any announcement of its export policy mainly in the hope that this will enable the State Trading Corporation to secure groundnuts more cheaply when the crop movement gathers momentum in November. Prices might ease under the mounting pressure of arrivals but one cannot be too sure that the market must oblige the Corporation. For agricultural commodities often strike their seasonal lows before the crop movement gets into swing. Futures markets are known to discount the crop — large or small — as soon as the size of the crop becomes known. And by now the trade

knows that this year's groundnut crop is a bumper one.

F M C's Concern

Last week's impressive improvement in groundnut futures (January) from Rs 196.37 to Rs 204.37 appears to be more than a mere technical rally in a downward trend which has been in progress since the start of trading in new season's contracts. The recent recovery might mark the beginning of an important upward trend. It is however, difficult to say with confidence that the rate of Rs 195.37 recorded for the January contract on 17th October will turn out to be the seasonal low. That the market should have developed marked strength despite uncertainty about export policy for groundnut oil, HPS groundnut and expeller cake need not cause any great surprise because price trend in groundnut is governed essentially by internal forces, which is why groundnut oil has been quoted substantially above world parity since long. It is amusing that the Forward Markets Commission should have taken a serious view of last week's rise in groundnut futures and warned the trade against unhealthy speculation. For, on the very first day of its opening on 7th July, the January contract was quoted between Rs 224 and Rs 225. On 17th October it had been sold down to Rs 195.37. Surely, the market cannot keep on declining indefinitely. Last week's recovery to Rs 204.37 is impressive but there is nothing extraordinary about it. It is significant to note that the spot material has all along been fetching a sizable premium over futures despite the start of new crop arrivals. Can it be that the Commission's concern about the recent rise in oilseeds prices has something to do with the State Trading Corporation's plans to purchase groundnuts from growers and co-operative societies to carry on the export of groundnut oil which is being entrusted to the Corporation. The Commission's concern over unhealthy speculation is understandable but not about the trend of prices which depends on the overall

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per thousand per annum

ENDOWMENT ASSURANCES**Rs. 12.80**

per thousand per annum

The Life Insurance Corporation has pleasure in declaring the above rates of bonus as a result of the second Valuation of its liabilities and assets as at 31st December 1959. These bonus rates are applicable to with-profits policies issued by the Corporation and in force as at the date of Valuation.

As regards the bonuses on with-profits policies issued by former insurers, these have been declared proportionately in accordance with the Scheme of Differential Bonuses approved by the Central Government and published in the Gazette of India dated 14th October, 1961.

The bonus rates applicable to all the policies are the same as those declared on the basis of the preceding Valuation as at 31st December 1957.

As at the date of the present Valuation the total sum assured under the policies was Rs. 1,997 crores, including bonuses, and Rs. 105 lakhs per annum under Annuities. Out of the gross profits disclosed by the Valuation, a sum of Rs. 24.47 crores has been utilised for allotting bonuses at the above rates to policy-holders, after providing for income-tax liability amounting to Rs. 4.58 crores and Government's share of Surplus amounting to Rs. 1.28 crores.

As already announced, bonus intimations in respect of both the first and second Valuations will be sent out to the policy-holders as soon as possible.



Life Insurance Corporation of India

demand and supply position of the commodity. It is unfortunate that the Commission should still need the reminder that markets cannot be made to fluctuate to order. Any attempt to do so is to make nonsense of speculation.

Export Activity

Export business put through last week consisted almost entirely of groundnut extractions. The U K and the Continent were reported to have purchased about 5,000 tons and the prices paid were a little better than in the recent past. The quotation for November-January shipment has improved from £ 28 to £ 29 per ton. Locally also, prices showed a hardening tendency. Hardly any business was reported done in linseed cake even though the quotations for linseed cake on the Continent were stated to be in parity with Indian prices. Indian linseed cake has become very unpopular abroad because of its uncertain quality for which the shippers are mainly to blame. The confidence of overseas buyers cannot be restored unless adequate arrangements are made for the inspection of goods before shipment and their quality is certified by a competent authority. The Government should see that this is done at the earliest because it is easily possible to spare substantial quantities of linseed cake to be sold abroad to earn the badly needed foreign exchange. Export houses mentioned small business in castor oil Commercial at around £ 114 per ton. Castor futures and linseed futures recorded handsome gains during the week on persistent short covering and renewed bull support induced mainly by the strength in groundnut. Speculative activity in castor has shrunk to negligible proportions and linseed have seldom been popular with professional speculators. Castor March improved from Rs 157.50 to Rs 160.87 per 250 kgs and linseed March rose from Rs 35.41 to Rs 36.50 per 50 kgs.

Cotton**Steadier but Dull**

THE cotton market had a very dull time last week. Activity in futures appeared to be almost at a standstill most of the time and the range of daily fluctuations seldom exceeded Rs 2 per 3 quintals. Jarilla March moved irregularly

between Rs 623.25 and Rs 628.25 and Wednesday's closing of Rs 626 was almost unchanged over the week. Business in the spot market was also restricted but traders reported improved inquiries in new crop which is now on the move. Arrivals are gradually picking up but prices are keeping distinctly steady. The trade does not seem much satisfied with the quality of Khandesh and Berar cotton which has reached the market, which, however, is not surprising in view of the heavy damage caused by unseasonal rains in these tracts. Exporters did not report any further large business in Bengal Deshi during the week.

The Cotton Advisory Board which met in Bombay for the second time this season on 21st October has estimated the 1961-62 crop between 48 and 49 lakh bales. Mill consumption during the season is estimated between 56 and 57.5 lakh bales which is substantially larger than the 1960-61 figure of 53.73 lakh bales of which Indian cotton comprised 42.46 lakh bales. The Board has recommended to the Government the import of 12 to 13.5 lakh bales of foreign cotton. The question of the proportion of the import of short staple cotton of 1" and below has been left undecided. The Board has also recommended the introduction of compulsory survey and appointment of regional committees in order to check the rise in prices above the ceiling rates because of the smaller crop this season. The Board has not favoured any change in the schedule concerning 197/3 and L 147. The East Khandesh District Cooperative Marketing Society and the Jalgaon Cotton Traders had appealed to the Cotton Advisory Board that the basic staple length of 197/3 Virnar cotton, produced in Khandesh protected area, should be fixed as 7/8". The trade had also demanded an increase in the premium of L 147 over Buri American. Vidarbha grows nearly 75 per cent of L 147 variety.

Stock Exchange**Equities Inclined Upward**

DALAL STREET is firm again. Equities have recorded sizable improvement from the lowest levels recorded in the previous week and a few counters like Century, Standard, Kohinoor, Svadeshi A C C

and Bombay Burmah have risen to new high levels. Vyapar's equity share index which had receded from 143.95 to 141.79 was up again at 143.60 on Wednesday (25th October) though the closing was a little lower at 143.25. Sentiment last week was helped by New Delhi's assurances to Business International that India's economic policy fully recognised the important role that foreign collaboration had to play in the industrial development in the country. The Reserve Bank of India's decision to withdraw the ceiling on clean advances by banks had also a tonic effect on the trading sentiment on the stock exchange. The fall in the value of shares marked for delivery in the October 28 clearing also contributed to the steadier feeling in the market. Dalal Street's overall performance suggests that the upward trend has been resumed after a brief pause. Whether the upward journey will be a smooth affair or the market will have to encounter rough weather, it is difficult to say. But it looks that Dalal Street is determined to push its way further up anyhow.

Bullion**Silver Firm, Gold Subdued**

BULLION prices made a mixed showing last week. While silver recorded a sizable improvement and rose to the highest level for many weeks, gold suffered a small setback. Silver ready improved from Rs 205 to Rs 206.40 but gold ready declined from Rs 124.85 to Rs 123.85. Improved tendency in silver was attributed to the decline in arrivals of "kutch" metal and a small improvement in off-take on the eve of Divali. Gold was subdued due to the rather slack off-take. Turnover in futures was moderate. After drifting idly between Rs 206.15 and Rs 205.70 earlier in the week, silver Magsar delivery shot up to Rs 208.05 and wound up the week at Rs 207.65. Gold Magsar which had eased from Rs 125.10 to Rs 124.50 recovered to Rs 125.60 but eased again to close at Rs 125.15. Recovery in both the metals near the week-end was due mainly to the expiry of the first monthly optional settlement of the current three-monthly Magsar contract, the budla rates being against the buyers.

Company Notes

DIVERSIFICATION PAYS D C M

DELHI Cloth and General Mills owes its growth and its present financial strength to the diversification of its activities. It now owns 5 textile mills in India and one in Pakistan with a total complement of 197,348 spindles and 3,307 looms, a chemical plant with a capacity of 28 tons of caustic soda and 50 tons of acid, a vanaspati plant with a capacity of 75 tons per day, two sugar factories with a crushing capacity of 2,800 tons per day and a distillery. The company now proposes to set up a P V C plant with a capacity of 20 tons per day, with ancillary units of calcium carbide and chloride and caustic soda, and a rayon tyre cord plant with a capacity of 10 tons per day, with Japanese and American collaboration, respectively. The new units are to be set up at Kota, Rajasthan.

The D C M's total resources as at the end of June 1961 amount nearly to Rs 23 crores of which owned-funds exceed Rs 10 crores and borrowed funds about Rs 8.50 crores. Investments in fixed assets stand at Rs 15.69 crores, of which nearly 60 per cent has already been written down.

The sales turnover for the year ended June 30, 1961 aggregates Rs 35.89 crores, representing an increase of Rs 4.10 crores over the previous year, on which the company has earned a gross profit of over Rs 4.33 crores, against Rs 2.88 crores, giving a profit-margin of 12 per cent, against 9 per cent in 1959-60. The net profit of Rs 1.64 crores shows an increase of Rs 65 lakhs over the year, even after providing Rs 20.12 lakhs (Rs 18.34 lakhs) for managing agents' commission, Rs 171 lakhs (Rs 100 lakhs) for taxation and Rs 77.80 lakhs (Rs 70.16 lakhs) for depreciation. The net profit, after providing for preference dividend liability, represents an earning of 47 per cent on the paid-up ordinary capital, against which the directors have recommended a dividend of 13 per cent for the year under review, compared to 12 per cent paid for the previous year. The retention of Rs 1.15 crores, or more than 75 per cent of the disposable profit,

accounts for the wide disparity between the earning and distribution. Besides adding Rs 1 crore to the development reserve and reserve for fall in prices and Rs 15 lakhs to the statutory development rebate reserve, the directors have transferred Rs 20.41 lakhs from the excess depreciation provided in an earlier year to the general reserve.

The proposed diversification programme involves a huge capital outlay. The foreign exchange cost will be met from deferred payments and long-term loans from foreign financing institutions, while the rupee cost will be met partly by further capital issue and partly from loans and advances from banks and issue of debentures. It is proposed to issue 4,00,000 ordinary shares of Rs 25 each at a premium of Rs 5 per share and 2,00,000 redeemable cumulative preference shares of Rs 25 each at par. It is also proposed to issue 6½ per cent debentures of the face value of Rs 2.50 crores and redeem the existing 5½ per cent debentures of the value of Rs 1 crore before the end of 1962.

The Rs 25 paid-up shares of the company are being currently quoted at Rs 53.

New Central Jute

THE decline of Rs 7.24 lakhs from Rs 78.46 lakhs to Rs 71.22 in the gross profit of New Central Jute Mills for the year ended March 31, 1961 does not fully reflect the difficult trading conditions following the sharp rise in prices of raw jute without any corresponding rise in prices of jute goods. They are better indicated by the steep fall in profit-margin (ratio of gross profit to sales) from 11.7 per cent to 5.9 per cent the sales having risen from Rs 6.64 crores to Rs 12.08 crores. Even so, the company's performance should be considered better than that of many other units. This is mainly on account of two favourable factors: (1) judicious purchase of raw jute and (2) the good demand for carpet backing cloth which commands a better profit-margin. The results would have been worse, but for the fact that the company earned no less than Rs 11.04 lakhs (against a mere Rs 50,797 last year) from the differ-

ence on contracts of jute and gunnies.

The net profit has, however, shrunk considerably from Rs 66.34 lakhs to Rs 34.99 lakhs, consequent on the large depreciation provision at Rs 36.23 lakhs, against Rs 8.99 lakhs. Following this, the statutory allocation to the development rebate reserve has been reduced from Rs 66.36 lakhs to Rs 23.46 lakhs. While last year there was nothing left to be added to the general reserve after the allocations to the development rebate reserve, a sum of Rs 11.53 lakhs is available this year and the whole of it has been transferred to the general reserve No 2. As in the previous year, the entire dividend liability (Rs 28.65 lakhs) is being met out of the general reserve No 1. The dividend is unchanged at 15 per cent, subject to tax.

The current year promises to be a more encouraging one for the jute industry with the prospect of a larger crop. Following the better supply of fibre, mills have increased in two stages their working hours from 42.5 to 48 per week. With increased production and a reasonable parity in prices of raw jute and jute goods, the working results of the jute mills should improve. New Central Jute which has installed eleven more broad looms and ten new sliver spinning frames since the close of the year, can reasonably expect to benefit more than other mills from the improved market conditions.

Further, the company's chemical plant at Sahupuri, with its net block capital nearly twice as much as that of the jute mills at Calcutta, will supplement the earnings from jute mills. The ammonium chloride fertiliser manufactured by the company is said to have created a good impression in the market. Since the close of the year under review, the company has started production of heavy soda ash and it proposes to concentrate on the manufacture of this item. The profitability of the venture, however, will depend on: (1) adequate supply of good quality hard coke and (2) a sufficiently high price for soda ash to cover the increased freight costs on raw materials. The Tariff Commission have just concluded its enquiry into soda ash prices and a decision is awaited.

CURRENT STATISTICS

BANKING RETURNS

(Rs crores)

Reserve Bank	Oct 20	Oct 13	Sept 22	Oct 21 '60
1 Note circulation	1903.90	1906.13	1868.70	1812.02
2 Rupee coin	125.94	125.55	127.28	129.81
3 Deposits	309.79	294.27	333.38	279.99
(a) Central Govt	49.92	61.07	55.05	53.22
(b) Other Govts	28.60	3.98	21.36	32.90
(c) Banks	84.49	82.10	84.31	103.41
(d) Others	146.78	147.12	172.66	90.46
4 Foreign Securities	116.86	116.86	116.86	123.01
5 Balance abroad	28.27	10.02	18.42	17.93
6 Rupee securities	1558.86	1558.86	1528.78	1451.89
7 Investments	201.08	181.71	260.61	248.42
8 Loans and advances to Govts	59.45	63.37	45.53	25.89
9 Other loans and advances	135.93	136.18	135.89	130.91
Scheduled Banks	Oct 13	Oct 6	Sept 15	Oct 14 '60
1 Aggregate liabilities	1871.71	1871.18	1869.85	1917.25
2 Aggregate deposits (net)	1792.47	1793.19	1791.80	—
Demand (net)	178.97	717.45	719.05	772.94*
Time (net)	1073.50	1075.74	1072.75	1144.31†
3 Cash in hand	45.38	45.62	46.15	48.86
4 Balance with Reserve Bank	77.17	74.92	77.09	105.53
5 (3) + (4) as % of (1)	6.55	6.44	6.59	8.05
6 Borrowings from Reserve Bank	14.09	16.40	17.25	30.21
(a) Against usance bills and/or promissory notes	6.91	7.83	6.95	8.77
(b) Others	7.18	8.58	10.66	21.43
7 Advances	1057.13	1056.66	1076.33	967.27
(a) State Bank	234.12	233.67	235.09	206.23
(b) Others	823.01	822.99	841.24	761.04
8 Bill discounted	130.71	129.92	113.65	97.88
(a) Inland	46.99	47.39	43.60	50.66
(b) Foreign	177.70	177.31	157.25	148.54
(c) Total	10.76	10.90	12.75	10.00
(d) State Bank	166.94	166.41	144.50	138.54
(e) Others	65.97	65.95	65.97	58.20
9 (7) + (8) as % of (1)	65.97	65.95	65.97	58.20
10 Investments in Govt securities	611.63	611.65	605.61	707.63
(a) State Bank	249.31	256.28	251.19	350.63
(b) Others	362.32	355.37	354.42	357.00
11 (10) as % of (1)	32.68	32.69	32.39	36.91
Cheque clearance	212.88	191.63	202.44	218.29

* 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 cent per annum)

(Selected Scheduled Banks other than the State Bank)	Oct 13	Oct 6	Sept 15	Oct 14 '60
Call Money				
from banks	4.50	4.43	4.45	4.11
Deposits:				
Seven days	3.00	3.00	3.00	2.00
Three months	—	3.50	—	3.50
Six months	3.75	3.75	3.75	3.49

Bombay Bullion (Rs and nP)

	Oct 26	Oct 19	Sept 28	Oct 27 '60
Gold (per 10 grammes)				
Spot	124.75	124.95	125.55	115.25
Forward	124.95	125.10	126.10	116.70
Silver (per kilogram)				
Spot	203.70	205.50	205.80	193.50
Forward	207.85	206.10	207.00	195.50

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53=100)

	Monthly Average			
	Sept '61	Aug '61	July '61	Sept '60
Food Articles	121.1	124.3	124.2	123.9
Cereals	103.4	105.0	104.1	108.5
Pulses	89.2	90.6	91.3	94.7
Fish, Eggs & Meat	136.4	141.6	139.0	126.9
Milk & Ghee	116.9	116.4	119.1	123.2
Edible Oils	153.3	159.0	165.5	148.9
Fruits & Vegetables	148.3	164.6	147.5	122.2
Sugar & Gur	123.9	124.6	123.2	138.9
Others	173.1	183.4	184.2	170.5
Liquor and Tobacco	99.7	99.9	98.6	104.5
Tobacco	96.2	96.4	95.0	102.7
Fuel, Power, Light & Lubricants	121.5	121.6	121.7	119.3
Industrial Raw Materials	138.1	144.6	131.4	138.7
Fibres	127.7	137.7	158.5	139.5
Oilseeds	156.3	162.7	165.4	146.9
Minerals	94.8	94.9	95.2	98.2
Others	126.6	126.9	126.9	124.6
Manufactures	125.4	126.1	127.4	122.7
Intermediate Products	140.6	140.9	141.9	129.5
Finished Products	122.9	123.7	125.0	121.6
Textiles	123.4	124.8	126.6	123.9
Cotton	127.9	127.5	127.5	131.6
Jute	114.2	121.1	130.5	116.4
Woollen	123.1	123.1	123.3	110.1
Silk & Rayons	118.9	118.0	119.1	100.8
Metal Products	147.1	147.1	147.1	146.8
Chemicals	112.0	112.0	110.8	105.0
Oil cakes	143.5	146.0	146.8	138.6
Machinery & Transport Equipment	113.5	112.8	112.8	111.9
Others	121.1	120.9	120.8	115.9
All Commodities	124.5	127.4	138.5	125.3

COAL PRODUCTION AND DESPATCHES

(Monthly average or calendar months)

	('000 metric tons)		
	Raisings	Despatches	Stock at Pit heads*
1961: Jun	4,182	3,998	—
May	4,599	4,182	5,375
Apr	4,540	4,173	5,423
Mar	5,524	4,308	5,567
Feb	5,225	3,896	4,808
Jan	5,137	4,191	3,886
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	3,702	3,556
Jun	4,208	3,749	3,578
May	4,421	3,663	3,546
Apr	4,453	3,808	3,272
Mar	4,434	3,818	3,117
Feb	4,365	3,583	3,018
Jan	4,182	3,664	2,739
1960	4,390	3,865	3,548
1959	3,892	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

* At or about the end of each period.
Source: Coal Controller, Ministry of Steel, Mines and Fuel, Government of India.

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The Economic Weekly

A Journal of Current Economic and Political Affairs

November 4, 1961

YEAR OF PUBLICATION

Volume III No 44 & 45

Price 50 Naye Paise

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THE ECONOMIC WEEKLY

Telephone : 253406

65, Apollo Street, Fort.

Annual Subscription : Rs 24

Foreign 40s or \$ 6

The Monster Crime

NONE of the explanations thought earlier to be possible serves to justify the explosion of the Russian superbomb this week, nor indeed to mitigate in the slightest bit the enormity of the wicked crime it constitutes against the whole of the race of man. It is now clear that there was no scientific compulsion behind the first test of this deplorable series which, coincidentally with the Belgrade Conference, broke the nuclear moratorium. Bombs are not in the same class as the space race, in which each subsequent experiment advances the project by an important stage; once you can produce a megaton bomb, you can more or less dictate its size. If it was the intention of the Kremlin to impress the outside world with the scientific prowess of the Soviet Union, it was superfluous after the orbital flights of Gagarin and Titov to seek to prove it to an already awed humanity. What, in the final analysis, were the Russians trying to establish? That they can make a megaton bomb? That as a military power they are second to none? Did these demonstrable truths still need proving?

About the only truth the blasting of the superbomb has proved is that, when it comes to showing contemptuous disregard for the feelings of the whole of mankind, Khrushchev reigns supreme. No uncommitted country, not even the massively self-deluded India, could deter him from his ill-chosen path. The collective persuasion of the Belgrade powers was futile. Even the United Nations was helpless to avert the blast. Not, of course, that the Afro-Asians displayed half the energy in condemning the Russian tests that they lavished on the comparative toys of De Gaulle, or with which they habitually rise to a man in protesting to the cold war moves of the West. Looking back at it now, it seems improbable that any storm they could have raised would have caught up with the mushroom-cloud rising in the sky; but they do deserve the mortification of feeling that they did not even try. This was no time for saying, as Pandit Nehru did, that he was "against all nuclear tests", no matter who conducted them; it was a time for declaring bluntly and unequivocally that the Russians, with their 27 tests in a row, were being unbearable bores.

The task of saying all this was thrust on the Americans and the West Germans, who seized their opportunity with predictable fervour. But this was a pointless as well as a hypocritical exercise. Mr Khrushchev is not unaccustomed to blasts from the West; blasts from the uncommitted world would have been — or at least might have been — chasteningly new.

The righteous indignation of the West remains, as it has always been on this issue, the acme of hypocrisy. Condemnation of nuclear and thermo-nuclear testing does not come convincingly from the mouths of those who have acted in this field as pioneers. "It is too easily forgotten," as the *New Statesman* pointed out in a sincere leading article at the week-end, "that the U S megaton tests in 1954 rained hot ash on the crew of the Japanese fishing boat *Lucky Dragon*, all of whom were gravely affected and one of whom died." Even now the Americans are cheerfully exploding their bombs underground, though the

scientific safety of this method of testing is by no means certain. Indeed it now stands proved that Mr Khrushchev was right when he tried to explain away his first test of the present series by charging that the Americans were on the point of exploding their bombs underground. The charge did not justify the Russian test — in fact it betrayed an incredible political ineptitude on their part to save them the odium for being the first to break the moratorium — but it does show that the Kremlin was well-informed on the point. The biggest danger now is that the United States will use

the latest explosion as an excuse for carrying out its tests in the atmosphere, just as it used the first of these Russian tests to justify its explosions underground. Mr Kennedy is already said to be under heavy pressure to do so; and it will be a pleasant surprise, to put it no stronger, if he shows himself capable of resisting this pressure.

Bertrand Russell has predicted a nuclear war "within the next few months", but it is immaterial whether or not that prophecy is fulfilled. The suicidal race of megaton-bomb tests in the atmosphere will

itself wipe the human race out of existence.

The West, which has the balance of world opinion in its favour by a narrow margin at the moment, can, however, do effective penance for its nuclear crimes of the past, even if it cannot honestly point an accusing finger at Russia. It can do this by joining its voice with that of the rest of mankind in bringing out the horror of the Soviet action by announcing a unilateral renunciation of its own tests. On whether it will have the courage and wisdom to do so now depends the ability of mankind to have a future at all.

Research in National Income

UNLIKE in America and Britain, where the concern with the measurement of national income, its composition and its rate of change started with the great depression in the thirties, and is a product of the 'new economics', the concern with national income computation in this country goes back to the very early days of the national movement. Digby wrote his 'Prosperous British India' in the 'nineties to establish statistically that India was becoming poorer under British rule and threw it as a challenge to the then Secretary of State for India, who had piously proclaimed that Britain would leave India, if it could be proved that Indians were growing poorer under British rule. Then there was the celebrated controversy between R C Dutt and Lord Curzon, and fair-sized tomes were produced on both sides — one to establish that per capita income in India was going down; and the other the opposite. Neither should Dadabhoy Naoroji's contribution in this field be forgotten.

In short, this statistical tool was very effectively used in the political struggle.

Speaking at the Third Indian Conference on Research in National Income, presided over by Dr NSR Sastry, Shri H V R Iengar, Governor of Reserve Bank, expressed some concern that this statistical tool may be adduced, if it is used for the narrower purpose of computing and comparing the incomes of the different States, to play up the disparate progress among the States and thus create the wrong

kind of political ferment. Regional disparities are potentially explosive material, politically; but they have to be faced and overcome, if the feeling is to be created and maintained that the people of all the States are taking part in a common adventure. Despite the tremendous growth of interest in the computation of the incomes of the States and the amount of statistical work that is being carried on in this field, technical deficiencies detract greatly from the value of such work. There are, besides, as Shri Iengar pointed out, conceptual limitations, in that the estimate of State income is of output originating in the State not of and the income accruing to the residents of the State.

The Third Five-Year Plan, for the first time, contains a whole chapter on 'Balanced Regional Development'. This reflects more than the growing awareness of the need for balanced growth. In the initial stages of development, it may be unavoidable to concentrate the limited resources available at those points in the economy where the returns are likely to be the maximum and immediate. However, with the progress of development, the number of such points where resources can be most fruitfully applied grows and it becomes increasingly possible to spread investment projects geographically. Thus the objectives of a fast rate of growth and balanced regional development need not necessarily, or permanently, be mutually exclusive. They stand in a certain relationship with each other and as development proceeds conditions

favourable to exploitation of local endowments and skills and regional potentialities are progressively created.

Since the gradual removal of income disparities is one of the accepted objectives of economic planning, the problem has to be faced both in regard to the difference between one part of the country and the other, as also in regard to individual differences in income. It is today a challenge to the research worker's on national income to work out acceptable measures for both. Reduction of inequalities, whether regional or inter-personal, however, is not merely a matter of social justice. It is also very sound economics. No social policy will work in the end, unless it is also economically valid.

The large number of papers submitted to the Conference also indicates the widening of interest in the different aspects of the statistical problems of national income estimation. The papers, however, present few final findings. They represent the preliminary stages of research in progress rather than dependable estimates. The exploration of the different sectors of the Indian economy, though at varying levels of technical competence, is being undertaken today on a range which is unparalleled in any of the other developing countries. All of these studies suffer from the lack of adequate primary data. This needs to be stressed, for there is a general feeling among the public that perhaps too much is being done in the field of statistics rather than too little.

Weekly Notes

Poser for Congress

THE visible weakening of the opposition parties and the unlikelihood or inability of these parties to achieve electoral alliance and thereby offer stronger competition to the Congress has lent the selection of Congress candidates for the forthcoming elections an unusual importance. This is, however, perhaps a change in degree and not in kind. Nevertheless, it appears to be significant enough to give a new complexion to the pre-electoral choices and the process of arriving at them.

Does it not suggest that if the country moves more and more towards a virtual one-party system, the primary selection of the candidates by the party will come to take the place of voting at the polls? An interesting point to note in the process of preliminary selection is, who exercises the choice and which group of people makes the final decision.

This should prove a fruitful line of analysis of the relation between the Centre and the States or rather between the High Command and the Pradesh Congress Committees. In the selection of candidates, it is the Pradesh Congress which seems to exert not only the greater authority, but, at least in some of the States, supreme authority. It is interesting to note though, that the relation is by no means the same in all the States.

Thus while the West Bengal Congress has refused to nominate a candidate, on behalf of whom Pandit Nehru had personally pleaded, the Congress Committees of Maharashtra and Bombay appear to have voluntarily sought such intervention by leaving the final choice to Delhi in two of the constituencies. This they have done by nominating two candidates for each, without taking upon themselves the responsibility of deciding which of the two candidates they would like to have. The Maharashtra Congress seems to have deliberately created the intriguing situation in which the Central Parliamentary Board may find it impossible to throw out its own nominee whom the Maharashtra Congress chooses not to name.

Coal-Transport Crisis

THE Central Advisory Council of Industries met within a week of the conference of American businessmen in New Delhi. It was perhaps natural, therefore, to expect that the question of incentives to attract foreign private capital would receive a good deal of attention from representatives of private industry at the meeting. This is apparently what the Government did expect, for the Minister for Commerce and Industry, Shri K C Reddy, devoted a good part of his pre-prepared statement to the question of foreign collaboration. But, on the one subject that apparently agitated the industrialists most, viz, the transport-coal bottleneck, the Minister had nothing to say. While the FICCI President, Shri Karam Chand Thapar, captured newspaper headlines with his statement that in all his 45 years in industry he had not witnessed a crisis of the magnitude of the present coal-transport-power muddle, most of the other industrialists who spoke also referred to the shortage of coal and transport with varying emphasis.

There can be no doubt that shortage of coal has seriously affected industrial production. A recent enquiry by the FICCI revealed that in the 220 or so industrial units who volunteered information on the subject, the average loss of production due to shortage of coal was between 20 and 25 per cent.

What is wrong with coal? Is it that coal production is short or is it shortage of wagons that is the bottleneck? This, however, is a question which is not even of academic interest any longer. In spite of the brazen claims of the Railway and Coal Ministries, it is really too late in the day to dispute two basic facts of the coal-transport situation. First, there is an overall shortage of coal. There is also a shortage of particular types of coal, e.g, metallurgical coal. Second, there is acute shortage of transport capacity on the railways.

Given the fact of a shortfall in coal production, the system of priorities for allocating coal to different industries becomes a matter

of the utmost importance. If industries with a high Plan priority have to cut down production for want of coal of the right variety and in adequate quantities, as was complained at the Advisory Council meeting, the only conclusion one can draw is that there must be something terribly wrong with the present system of allocation.

Similarly, in view of the shortage of transport capacity on the railways, the problem is to allocate available capacity judiciously and to utilise it to the maximum. Here the response of the industries to the Government's efforts to better organise coal movement is not quite consistent with their concern over lack of coal. The creation of coal dumps and the movement of coal by block rakes to these dumps are important measures designed to economise on wagon use and speed up the turn-about of wagons. The main criticism of the coal dumps scheme is that it will raise the cost of coal because of the need to haul coal by road from the dumps to the factories. This is clearly a narrow view to take when the alternative to some such arrangement is non-availability of coal and wastage of productive capacity. The order of movement of coal relative to the capacity of the railways is so large that it would be clearly impossible — and, in a sense, uneconomical — not only now but perhaps for the entire Third Plan period, for the railways to move coal right up to the innumerable points of consumption all over the country.

Keeping Britain White

ABOUT fifty years from now, future historians — in Asia, in Africa and perhaps in England — writing about Europe in the nineteen fifties and sixties will presumably devote a chapter to the coloured minority groups in this country. They will say that although this group was small, it was an important, indeed an essential, one. The relations between white and coloured people in Britain were a test of Britain's ability to fulfil the demands for progressive rationality in social organisation, so urgently imposed in the latter part of the

twentieth century. And the future historians will add that Britain had every chance of passing this test, because at that period her domestic problems were rather slight by comparison with those of many other areas of the world.

"All this can be anticipated. But it is still uncertain how the chapter will end". (Postscript 'Newcomers' The West Indians in London. By Ruth Glass. Allen & Unwin, 1960.)

These lines were written in June last year. They are not being reproduced here with a sly, knowing, air of 'I told you so', but knowledgeable people had been saying for some time that it was coming and now it has come. Britain has decided to ban the entry of coloured people. It is not put as bluntly as in the Queen's Speech from the Throne at the opening of Parliament this week. The phrasing is not so direct: "Legislation will be introduced to control the immigration to the UK of British subjects from other parts of the Commonwealth, and to give powers for the expulsion of immigrants convicted of criminal offences". But it means the same thing.

Even casual visitors to Britain in recent years could not help noticing the sprinkling of coloured peoples in and around London—it was only a sprinkling, but still noticeable. And before the incidents at Nottingham and Nottingdale, the casual visitor could not but admire the manner in which the British public put up with it. Coloured conductors in buses and coloured workers in many of the public utility services and other occupations! The British public put up with it, though not always very gracefully, but even that was a wonder. The wonder of it, however, did not last long. Yet, the West Indians, despite the recent increase in influx, did not exceed 150,000 in number.

Love's Labour Lost

THE Government of India will have reason to be aggrieved. It had gone out of its way—too far out in fact—in order not to hurt British susceptibilities by imposing unduly severe restrictions on the issue of passports to would-be immigrants to Britain who were attracted by better opportunities of em-

ployment and for whom the channels of migration had already been opened up by successful relatives or kinsmen already settled in jobs in Britain. The refusal of passports to those who failed to meet the stringent educational and other tests, which included a knowledge of English, has been nothing short of a scandal. Since demand calls forth supply, it gave rise to the passport racket, which is detected and exposed by the police from time to time. The Jamaican, who decided to try his luck in England, did not have to face this ordeal. He could not only get a passport freely; there were various agencies, commercially operating like travel agents, to help them to migrate and find employment in England. The Government of India's excess concern for Britain has not brought any thanks. Along with Jamaica, India, too, has been slapped on the face!

What form the control on immigration will take still remains to be decided. British liberalism and tolerance have not been able to stand up to the test. Members of the present British Government had until recently repeatedly opposed the suggestion of imposing any restriction on the entry of Commonwealth subjects. Labour Party's official view still is that 'any form of British legislation limiting Commonwealth immigration to this country would be disastrous to our status in the Commonwealth and to the confidence of the Commonwealth subjects'.

Public opinion in this country will now demand reciprocity in the matter. British subjects now enjoy unrestricted freedom to enter this country, engage in any business or occupation, as also to take up employment.

Right Step in Nagaland

THE decision taken this week to delegate greater authority to the Interim Body and the Executive Council of Nagaland is most welcome. The five-man Executive Council of Nagaland will now function as a Cabinet and a full-fledged Secretariat headed by a Chief Secretary would be established at Kohima, headquarters of Nagaland. Moreover, the Interim Body of Nagaland would function as a *de facto* Assembly. In other words, Nagaland has been allowed to take another step

towards its transformation into a full-fledged State within the Union of India. When the Government of India decided to set up the Interim Body and the Executive Council last year, there could be no going back. It was no longer possible to tackle the problems of Nagaland without a special agency which would be formed and administered, as far as practicable, by the Nagas themselves. If the experience of a year's working has disclosed some weakness, there is no reason why such weakness should not be remedied through the adoption of appropriate measures.

The terrorist assault on the late Dr Imkongliba Ao, who was the chief spokesman of the Nagas until his murder a few weeks ago, was an indirect admission by the rebels of the effectiveness of the Interim Body and the Executive Council. It is necessary, therefore, to ensure that these organs of the law-abiding Nagas are not impeded by any lack of authority in dealing with the lawful citizens or with the rebels. Although the situation in the Nagaland has been complicated by a prolonged armed conflict between the forces of the Government and the rebels, one of the reasons why the rebels could not be isolated from the bulk of the population was that there was no political institution in the area with which the Nagas could identify themselves. To the extent that there is inadequacy of trained and experienced personnel to run the administration, Naga leaders can always depend on the assistance and cooperation of their compatriots in other parts of the country. It is also necessary in the interest of better understanding between peoples inhabiting different regions of the country to invite people from other areas to work in Nagaland.

Greetings

We wish all our readers and patrons a Happy Divali and a Bright and Prosperous New Year.

There will be no issue of *The Economic Weekly* on November 11, on account of Divali holidays.

The next issue will be dated November 18, 1961.

Capital View

Wiffle Waffle in High Places

Romesh Thapar

TO survive, we need a revolution in our thought and outlook. From the altar of the past we should take the living fire and not the dead ashes. Let us remember the past, be alive to the present, and create the future with courage in our hearts and faith in ourselves. These carefully chosen words, used the other day by Vice-President Radhakrishnan, were addressed not to India's youth assembled in Delhi for an annual festival but to the valedictory meeting of State Governors. A pity, for the venerable gentlemen so addressed are due to retire in April after the General Elections—and even if they were not, they have little or no power to influence decisions in the States of the Union.

Perhaps, better use could have been made of Dr Radhakrishnan's words by addressing them to the Youth Festival delegates or the Vice-Chancellors who were also assembled in the capital. For what happened at these related gatherings had little relevance to the problems facing the country, problems whose solution can be sought and put into effect within the universities.

They Have Much to Say

The Youth Festival was remarkable for the profusion of lectures delivered by the various VIP's. Monotonously, one VIP followed another to tell the students that they were 'the cream of the country' and 'the hope of the nation'. If the speakers really believed their own words, they would not have been so patronising. As one energetic lad from Bihar put it: 'Don't you think it is time they listened to what we have to say.' And these representatives of our youth have enough to say about the lack of perspectives in education, demoralised teachers, disappointed students, faction fights in the highest academic circles—and a faceless, jobless future after college. They have reached the desperate point of demanding their right to participate in the solution of these problems, problems which, in fact, should not be their concern.

None of these urgent issues was given serious attention at any of the gatherings referred to. Of course, it has become fashionable—at least in the capital—to talk about 'national integration' and 'emotional integration'. While doing so, the educationists spoke of the need to pay greater attention to the quality and content of text-books. Even the Governors expressed concern over text-books. But we were never quite sure that by text-books was not meant the many thousands of guide-books which have become the mainstay of our universities. Nobody stressed the detailed preparation required to achieve desired standards or even minimum standards in text-book production. A drastic overhaul of the present system at both Central and State levels is called for but, unfortunately, too many vested interests are involved.

Not Serious

Union Education Minister Shri. mali, in his address to the Vice-Chancellors was true to type. He 'deplored' the quarrels and intrigues among teachers who, as a result, had little time left for teaching. He 'deprecated' the general tendency to ease our conscience by finding scapegoats or rolling the blame from one group to the other. He naturally referred to the 'dark shadow' of the recent events in Aligarh, even calling upon the Vice-Chancellors to make a proper diagnosis of the 'malady involving unseemly wrangles between rival groups in our seats of learning which lead to acts of violence'. But the truth is that the gentlemen listening to him knew that he wasn't serious. And here's why.

Even as the Vice-Chancellors' Conference was being convened, the weak and vacillating B H Zaidi, Vice-Chancellor of Aligarh University, had summoned enough courage to take action against his Pro-Vice-Chancellor, Yusuf Hussain Khan, alleged to be the main disruptionist influence in Aligarh, a former Razakar supporter and now an active ally of the Jamat-e-Islami.

Yusuf Hussain's resignation was demanded despite the fact that he commands overwhelming support in the executive organs of the university. The truth was out—and it looked as if Aligarh would soon return to normal, secular ways.

But Zaidi had underestimated the power of Yusuf Hussain outside the campus. Powerful friends rallied to his defence. Almost overnight we were informed that such a step would demoralise the Muslim population of Uttar Pradesh. Education Minister Shrimali played a leading role in forcing Zaidi to withdraw his letter demanding Yusuf Hussain's resignation. The technique was simple. Zaidi was told that he was as guilty as Yusuf Hussain. Now both are friends again—and Shrimali is satisfied, too, with the general elections around the corner.

Play-Acting

Against this background, when Planning Commission Member Shri. man Narayan, in another inaugural address, this time to the All India Secondary Education Conference, declares that it is the duty of teachers to make sure that their students do not take part in politics while in school and college, those who smile a cynical smile can be pardoned. A Union Education Minister, sacrifices the interests of a whole university to preserve his own political future; several Chief Ministers 'fix' and 'unfix' appointments of Vice-Chancellors, putting integrity at a discount and making it impossible for those who refuse to oblige; the Vice-Chancellor of a newly established university organises his own extra-curricular activity and campaigns for a Congress ticket in the forthcoming elections; another paralyses a whole university by creating tension between two groups of teachers. All this and more is tolerated, but students who are the most directly affected by these political permutations and combinations, are expected to behave like sheep.

Perhaps we are all expected to play-act like this until the voting is

over, but there is no escape from the unlimited waffle waffle in high places at the moment. The Prime Minister has just finished 'calling for' a National Health Service, something along the lines of that in the United Kingdom. Saying that he did not want to be 'critical' of the Health Minister, Nehru urged the setting up of small hospitals in the countryside and the organisation of ambulatory services to facilitate the movement of doctors from cities to villages. We are not quite sure whom the 'urge' was directed towards, but to cap it, he claimed that all this would save the Government a great deal of money! It would be unfair to analyse seriously this kind of 'thinking aloud' but it does drive the specialist to despair.

Question Mark

And that's the point. Where are the specialists? Increasingly, it is being felt among the more seasoned

policy-makers that the only way to cut through the waffle waffle is to give qualified specialists more weightage in the leading bodies of various organisations. Whether it be in administering the public sector, or in the creative fields of the radio and film, publicity and mass communication, or in influential bodies like the National Integration Council, book trusts and the like, the voice of the specialist needs to prevail. But how to ensure that the specialist too will retain his sanity and not become a victim of the deadening grip of political bosses. This is the big question mark.

Waffle waffle notwithstanding, there is no peace in the capital these days. The film festival has hit a new high in disorganised organisation — even confused the critics who seem to be relying largely on Embassy handouts. The grounds of the industrial fair are

buzzing with activity; fortunes are being made by those who can 'fix' work for themselves and there is promise of one such windfall every year. The hotels have turned into affluent slums and the liquor bars have been reopened to stimulate those in residence. Soon, churchmen from all over the world will be gathering. So obsessed is Delhi with these events that even the Nanavati Case is not a fashionable subject of conversation.

Meanwhile, the Prime Minister prepares for his meeting with President Kennedy in the USA during the Divali season. The atmosphere has been vitiated by an obviously inspired US press campaign against India which, the uncharitable say, the Prime Minister has sought to neutralise by denouncing the Soviet nuclear tests. It is a crucial meeting because it is no longer possible to waffle waffle on the threat to world peace.

Our Delhi Letter

Wooing the American Investor

RED carpets were rolled out to the group of American businessmen who had been herded together by the 'Business International Inc and gently led and guided by the Indian Commercial Counsellor in New York. The object: a round-table conference to acquaint themselves with the business conditions in this country and to 'sense' the investment climate. Their 40-point questionnaire ranging from "Do you regard profit immoral?" to "How easy or difficult is to dismiss an Indian worker?" embraced all facets of Indian economy and also touched broadly the political situation in the country — as was clear from their question to the Labour Minister: What was the extent of Communist influence among labour and what were the Government measures to counter it?

While most of the questions were exploratory, some betrayed a fantastic ignorance of the Government's economic policies and some were tendentious. For instance, they wanted to know what public sector projects the Government would switch over to the private sector. The questions which figured most prominently were those on tax

ation, nationalisation and compensation, majority-share or wholly owned foreign enterprises, and foreign private capital participation in the proposed Bokaro Steel Plant and in all phases of oil industry.

Laboured Explanations

From the Indian side, officials and the Ministers of Finance, Commerce and Industry, Steel, Oil and Labour gave laboured explanations of the Government's economic policies. In official circles it is categorically stated that no new concession was offered to the American businessmen and that the interpretations of policies were objective and "there was no attempt to hide the 'socialistic' and 'nationalistic' content of our policies". It is reliably understood that the Prime Minister took personal interest in the brief prepared for the officials and Ministers who conducted the talks and that he was getting daily reports of the discussions.

Both the spokesmen of Government as well as of the American Business Group claimed that the talks were an "outstanding success". It is claimed in New Delhi that the findings of American businessmen

have been largely dispelled. They have gone back satisfied that the private sector has an ample scope in the Indian economy, that foreign private capital is subjected to no discrimination, taxation is not burdensome, that profits of companies in recent years have been "colossal", that profits can be remitted freely, that compensation in the event of nationalisation, though not justiciable, is nevertheless reasonable, procedure of licensing foreign collaboration projects though cumbersome, is not as much so as, for instance, in Japan where already there is a large American investment and political and labour situation is stable.

Chief Differences

However, differences between the Government of India and the American group could not be resolved on two points. One is that of majority holding or wholly-owned American enterprises in India. While the Americans wanted this as a general rule, the Government was willing to allow this only in exceptional cases. Exceptions will be made on the merits of the case after weighing the requirements of

foreign exchange, technical know-how, and the importance and urgency of the project. The second point of disagreement was the demand of the American businessmen that foreign private collaboration be allowed in all phases of the oil industry, including distribution. The Government is prepared to seek foreign collaboration in all phases of the oil industry except marketing as this does not require any technical skill which this country does not possess. The Government also did not accept the suggestion that added incentive be given to foreign investors and the Americans on their part did not press this point further. Neither did the Government favour the idea of foreign private equity participation in the Bokaro Steel Plant.

There is a general feeling in New Delhi that as a result of these talks the climate for American private investments in this country has tremendously improved. This is a measure of success for the Finance Minister and Ambassador Nehru who have been making tremendous efforts to attract American private capital. American capital still constitutes only a small portion of the total foreign private investments in the country but of late its annual net inflow has exceeded that of British capital.

Change in Government Policy

Foreign private collaboration has become the integral part of industrial development of the country. This is clearly seen from the increasing number of schemes of foreign private collaboration approved by the Government in recent years: 24 in 1957; 109 in 1958; 162 in 1959; 388 in 1960; and as many as 304 in the first nine months of the current year. A question which is engaging serious attention is that of the terms of foreign collaboration. In this respect, the Government has travelled far since the days of say, the Refinery Agreements. Till as late as mid-1959, the Government had, so to say, an open-door policy in regard to foreign private collaboration except in the industries listed in Schedule 'A' of Industrial Policy Resolution of 1956 and in banking, insurance, trading and commercial activities and plantation. If foreign collaboration could be secured for any

project outside the fields mentioned above covering its foreign exchange cost, industrial licence used to follow automatically. Many projects were sanctioned for the production of non-essential goods like cosmetics, baby food and chocolates and on such disadvantageous terms as majority foreign participation, secrecy of technical know-how, production programme based on continuous import of components and intermediates, long-term assembling, exorbitantly high rates of royalty and ban on export of product.

During the last year and a half, the Government has been more strict. Nearly two-thirds of the agreements concluded in 1960 related to engineering industry and another substantial part to chemical industry. The Government is applying stricter standards than hitherto in sanctioning schemes with majority foreign participation. It also sees that every agreement includes arrangements for the training of Indian technicians and executives in all aspects of production and management, that it provides for rapid build-up of indigenous components and intermediates and that the royalty to be paid is limited to five per cent of the total turnover. Special encouragement is given to schemes which aim at expansion of exports on an economic basis, with or without the assistance of the foreign collaborators' overseas marketing organisation.

The Indian business community till six or seven years back was suspicious of foreign capital. This suspicion still persists in smaller sections and is reflected in the opposition to foreign private collaboration voiced by the All-India Manufacturers' Organisation and the Bengal Chambers of Commerce. To the bigger section, however, foreign collaboration has opened up new opportunities.

Ten-Point Memorandum

The 10-point memorandum prepared by the staff of the American Business International Round Table setting out the reasons why American capital should show interest in India runs as follows:

1 India is potentially the biggest market in the free world. Its population is greater than the

whole of Western Europe plus Canada and Mexico.

2 Among the newly independent nations, India is almost the only one that has established (and kept for 14 years) a truly democratic government. Private foreign investment finds more fertile ground in democracies than in dictatorship.

3 The Indian Government seeks foreign private investment — and indeed must have it to make its development programme successful.

4 Increasingly, over the 14 years of Indian independence the Government of India has improved the climate for foreign private investment.

5 Indian Government officials, though overworked in carrying the burdens of the most important planned economy in the free world, are honest and dedicated men who have shown increasing understanding of the practical problems of business.

6 India under Nehru has enjoyed political stability. Although it is commonly regarded as a "neutralist" nation, the Communist Party is of no consequence.

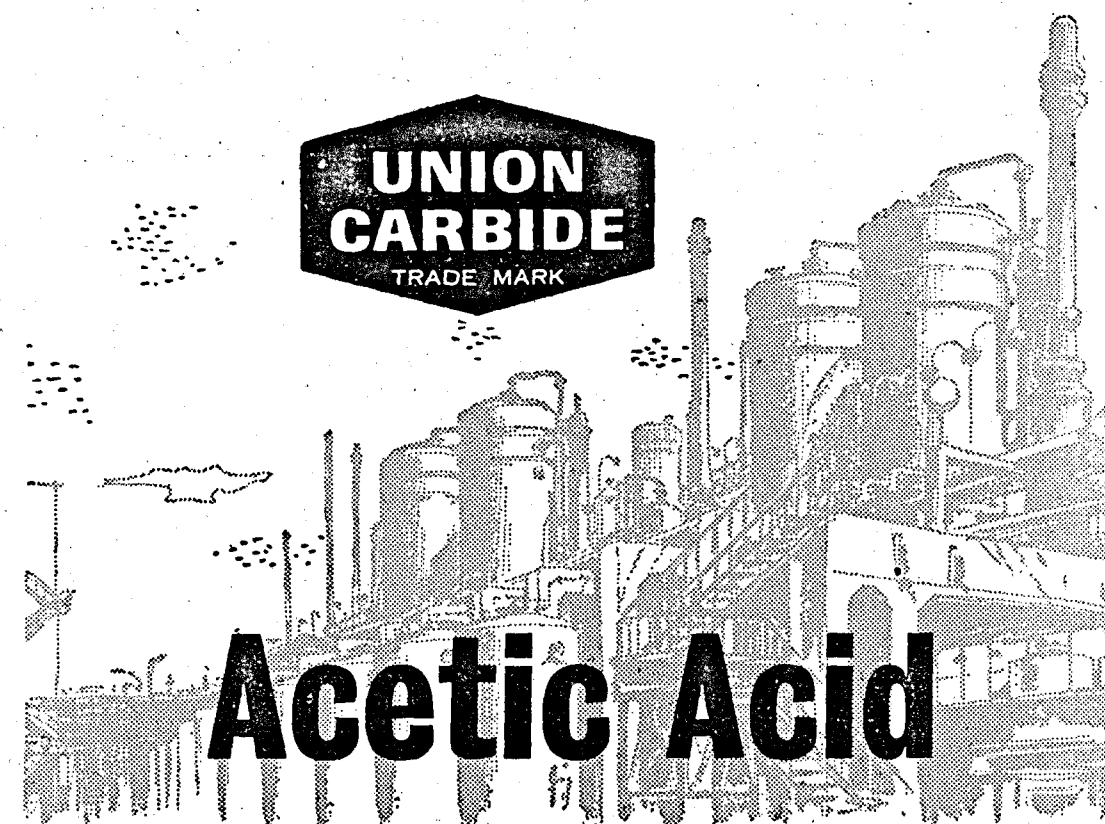
7 There are many sources of capital in India to supplement the foreign investors resources including an active stock market through which thousands of Indians have become capitalists and partners in joint Indian-foreign enterprises.

8 The profit record of many foreign investors in India has been impressively consistent and high, and the Government of India has unfailingly permitted the repatriation of foreign capital whenever sought and remittance of profits earned by non-resident stockholders.

9 The record and prospects for continued overall economic growth justify expectation of long-term profitability.

10 Finally there is genuine desire among many business leaders in the free world to allocate part of their human and material resources to raising the living standards of the people of India, in ways that only private enterprise can do. The people of India are more than a market — more than a neighbour in need. They hold in their hands the destiny of South Asia and perhaps of free world itself.

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From the London End

Lancashire's Modernisation Programme Lags

The G A T T Conference in Geneva last week to discuss a long-term agreement for controlling low-cost competition in cotton textiles has served to highlight the difficulties of the Lancashire cotton textile industry and to bring into prominence once more the whole question of Britain's entry into the Common Market and the repercussions that this is likely to have on the cotton textile industries of other members of the European Economic Community. It is known that the Belgian textile industry is worried that Britain's entry into the Common Market may force the other member countries to take in imports from the low-cost Commonwealth countries.

At the Annual Cotton Conference held last month in Harrogate, the U K textile industry decided to press, through the G A T T, other importing countries to take a fair share of imports of cheap textiles from Asia. The Cotton Board requested the Board of Trade to propose a scheme whereby Western countries should each take a minimum of 10 per cent and a maximum of 20 per cent of their domestic requirements of cotton goods from low-wage producing countries.

Restrictions on Imports

Particularly interesting was the speech made by Sir Roy Harrod, the well known Oxford economist, at this Conference. He came out openly in favour of encouraging imports from the poorer countries. The fashionable interest in aid to developing countries is not sufficient to solve their problems; side by side with aid, trade must play an important part. One of the ways in which the richer countries can help the developing countries is by accepting some of their manufactured goods into their countries. Cotton textiles provide a case in point. "I would put an absolute veto and prohibition on all textile imports from rich countries so long as we have to impose any restrictions at all on what those unfortunate poorer countries are able to sell us", said Sir Roy Harrod. If there was to be any

restrictions on textile imports, he would rather see these imposed on imports from European Common Market countries and the United States than on imports from India, Pakistan and Hong Kong.

The Lancashire industry is not out of the woods yet. Despite the financial inducements which the Government has provided to persuade the industry to re-equip and modernise, and despite the ceilings imposed on imports, the situation still remains gloomy, as was evident at the Harrogate Conference. Lancashire's re-equipment programme has still a long way to go. Even today less than one-third of its looms are automatic and there is little sign of a revival in orders. During the past year the industry lost another 7,000 workers and its labour force, which amounted to 255,000 five years ago, is now down to 177,000.

Dealing with the re-equipment of the Lancashire industry, the Chairman of the Cotton Board said that the Government's reorganisation scheme had not achieved the results hoped for. Expenditure on re-equipment amounted to £ 32.75 million; of this, £ 17 million was in spinning, £ 800,000 in doubling, £ 14.7 million in weaving and £ 250,000 in finishing. "These figures scarcely represent more than what one would expect from an already up-to-date industry for its normal development. They clearly do not represent enough to put the industry in the forefront of its competitors". The Board of Trade has now agreed to extend the period during which orders for machinery must be placed to gain the 25 per cent subsidy for another year, up to July 8, 1963.

Vertical Integration Suggested

The Cotton Board has suggested that the traditional horizontal organisation of the cotton textile industry be changed into a more vertically integrated one. The horizontal structure of the industry makes it easier for manufacturers from overseas to enter the Lancashire market. At present, spinning, weaving and dyeing, and finishing are carried out by independent firms. This type of division encourages

imports, because when, for example, a dyer finds that only by processing imported grey cloth can he maintain his levels of production, he is prepared to import rather than lose his profits. A weaver may similarly import cheaper yarn from foreign spinners. The merchants and merchant-convertors have also been responsible for the large imports of foreign cloth. In 1960, for example, merchants imported cloth from outside the Commonwealth even in the face of a 17½ per cent import duty.

Under a recent pact, Hong Kong, India and Pakistan have agreed to limit their exports of cloth to the U K to 422 million square yards in 1962. However, imports are coming in from a large number of countries which have never sold cotton to the U K in any quantity before. A recent newcomer is Formosa which supplied 12 million square yards in the first six months of 1961. Other countries whose exports have grown are Canada with 11 million square yards (compared with 2 million square yards a year before) and Yugoslavia with 15 million square yards (compared with only 4 million square yards).

Interim Agreement Unsatisfactory

In Britain today the stock cycle is a most important factor. At the beginning of 1961 almost everyone in the trade had built up excessive stocks, while the weavers had order books of six months or longer. In February merchant-convertors sharply cut their new orders for cloth and the recession reached the spinners in the spring and the weavers in the summer. One result of the reorganisation of the industry was to reduce its size and the smaller industry was unable to cope with booming demand. Therefore, buyers searched all over the world for available material. Imports rose and in the first three months of 1961 were equal to two-thirds of home production compared with one-sixth in 1955 and one-quarter in 1957. Now the warehouses are choked with surplus cloth and little business will materialise until the stocks have been run down. It is unlikely that exports can help in

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this situation. Exports of cloth are now down to an annual rate of about 300 million square yards, whereas in 1937, they amounted to 1,900 million.

The interim agreement reached at Geneva in July was not a satisfactory one. Under it, countries which at present restrict imports of low-cost cotton textiles through quotas — France and Germany — undertook to enlarge their imports. At the same time, the other importing countries were given the right to ask exporters to restrict their sales in the twelve months from October 1961 to the level attained in the year ended June 1961.

Last week's meeting at Geneva was a preliminary effort by the main exporting and importing countries to work out a long-term solution to the problem. The hope is that by April next a generally acceptable scheme will have been evolved. It should, however, be pointed out that no long-term solution which does not make provision for increased off-take of cloth produced in the low-cost countries will be satisfactory.

The object should be to reach an agreement under which not only countries like France and Germany, but also the United States, will grant greater access to their markets to developing countries. In 1960, for example, U S imports of cotton goods were only some 8 per cent of home production as against a 30 per cent in the case of U K.

Groping for a Policy

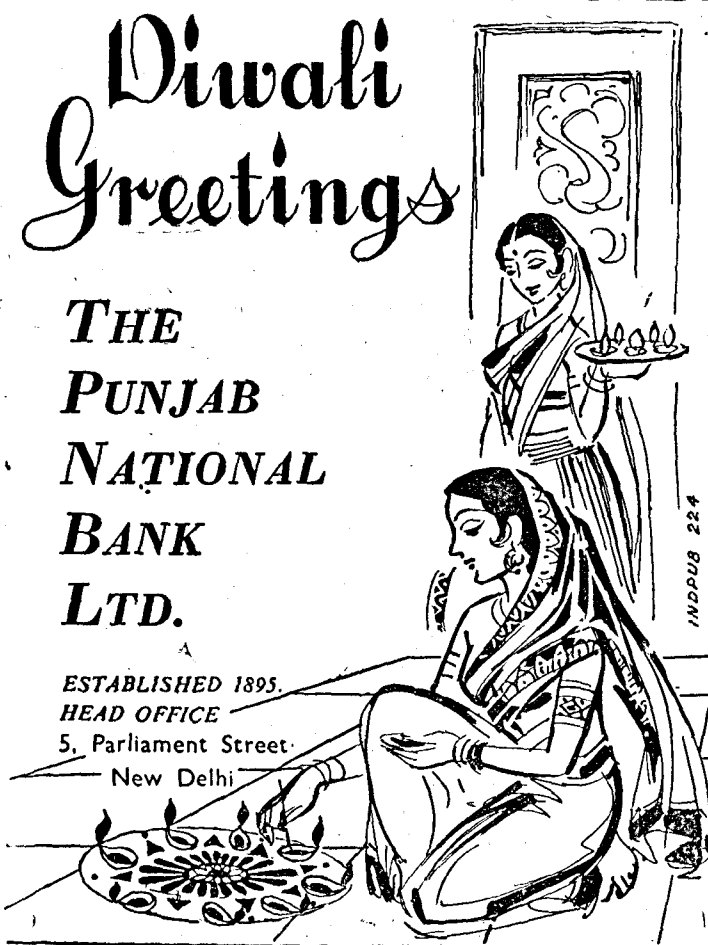
After ten years of mismanagement and excessive use of traditional monetary weapons, the Conservatives now seem to be feeling their way to what, for want of a better word, may be described as a new economic policy. Hustling Britain into the Common Market, a wage pause, and as a sop to labour, a small tax on short-term profits on Stock Exchange and property deals, "planning" on the French model and the abandonment of the stop-start-stop policy of economic development which has been a standard feature of British economic life in the past ten years — these appear to be the main ingredients of the new policy.

Monetary policy, administered with greater flexibility, which be-

came fashionable throughout the world in the 1950s, appeared to the Conservatives as the answer to the policy of economic management of the Labour Party. The attraction of monetary policy lay in the fact that it seemed to provide a politically painless way of solving the twin problems of growing inflation and the persistent weakness of the balance of payments. Bit by bit, interest rates in the U K were pushed up to unprecedented levels and the credit squeeze was carried to such lengths that the money supply was only about one-quarter of the national income in 1960, as compared with 40 per cent at the beginning of the 1950s. The high interest rates added something like £150 million a year to the cost of servicing short-term debts and thereby cancelled out the advantage from new investment from abroad. Today, at last, there is talk of introducing policies with greater emphasis on economic growth and less on monetary management.

The prompt repayment of £100 million out of the International Monetary Fund loan to Britain amounting to £535 million is also a sign that the Bank of England, aware that high interest rates are attracting funds to London, believes that these funds should be internationalised as soon as possible by being channelled back through the Fund. The Government is determined not to have to rely again on large flows of "hot" money into the U K, the outflow of which caused so much trouble earlier in the year. Repayment of part of the I M F loan will put further pressure on the authorities to reduce the general level of interest rates in the U K. The new Governor of the Bank of England, Lord Cromer, has made it clear that he is in favour of lower interest rates.

Britain is perhaps at last convinced of the need to move away from excessive dependence on monetary measures which have only served to lead the country from one crisis to another.



Letter from Singapore

Singapore and the Federation

(From Our Own Correspondent)

DURING the last few weeks Lee kwang yu, Prime Minister of the State of Singapore has given a very interesting series of broadcasts over Radio Singapore justifying the proposals for the merger of Singapore and the Federation. Within the last year the Peoples' Action Party has suffered a progressive decline from its failure to win several by-elections (including that by Ong Eng Guan described in a previous issue of *The Economic Weekly*) and by the defection of a number of its members in the House. The P A P majority as a result has been reduced to just one.

The reason given by Lee kwang yu, the Prime Minister, for these successive defeats is not that the P A P programme is gradually becoming unpopular with the voters but that the P A P is now losing the support of the Communist voters which had enabled it to come to power, and that these voters have now abandoned the P A P because the P A P policies look like being successful. According to Mr Lee, the Peoples' Action Party has always intended to unite Singapore with the Federation because of the impossibility of Singapore ever having an independent existence as a State. This is because 40 per cent of all Singapore trade is with Malaya and even the water supply for the island comes from across the causeway. Therefore, any attempt by Singapore to have an independent life of its own would be unrealistic.

Problem of Citizenship

In order that Singapore may join the Federation, laws already made by the Federation, especially those relating to citizenship and national security have to be applied to Singapore in the same form as in the Federation. The highest security authority in Singapore is the Internal Security Council in which there is an equal number of representatives of the British Government and the Singapore Government while the casting vote is held by a representative of the Federation. According to Mr Lee, the Security Council was deliberately constituted in this way

in expectation of the eventual amalgamation of Singapore with the Federation. But now that amalgamation is a likely possibility in the future, the Communist leaders of Singapore are afraid that their power will be circumscribed by the new Federation in the same way as the Communists have been suppressed in the Federation itself.

Referendum

Mr Lee admits that in the early days of the Peoples' Action Party, many of those who have now moved over to the opposition were not Communists but he claims that they were "used" by the Communists for their own ends and were elected for this reason. At the present time the opposition between the Communists and the P A P is open and clear and this clearing of the air has come about because of the proposed merger of the Federation and Singapore. In order to support his thesis, Mr Lee has given the names of various Assembly members and others who were either undercover Communists or in close contact with them. He has also introduced a mysterious character called a Plen (plenipotentiary), wanted by the police and a leader of the Singapore Communist Party, who had many meetings with Mr Lee in order to assess whether it would be a good thing for the Communists to co-operate with the P A P at the next stage of the development of its policy or not. These manipulations and undercover agreements between the P A P and the Singapore Communist Party have now been brought to an end by the imminence of the Singapore-Federation merger.

The Singapore Government does not intend to resign. It is apprehensive that many small parties will take its place. Instead, it has decided to hold a referendum for a plain 'Yes' or 'No' on the present terms for integration. If this referendum is held, the most controversial issue will undoubtedly be that of citizenship. In the new united Federation including Singapore, there would be two categories of citizens in Singapore, a Federa-

tion citizen and a Federal national. Only about half of the Singapore residents would be included under the first term (although presumably they would be the only group entitled to vote in national elections). For a Federal national to become a Federation citizen, he would have to pass a test in the Malay language and to apply individually to be transferred to the new status.

Question of Immigrants

In a previous issue of *The Economic Weekly*, I described the process by which a person could become a Federal citizen. In most parts of the Federation, if you are not a Muslim, the usual way in which you can acquire citizenship as of right is by being born in the Federation and by having one parent also born in the Federation. As part of its national policy, the Federation Government is concerned with preventing new immigrants from having the full right to control the Government until it is convinced that the primary loyalty of the immigrants is to Malaya itself. The Federation Government would be prepared to admit Singapore to the Federation on an equal basis only if it could exclude from voting those who, it remains convinced, are loyal to outside countries, especially China, India and England.

Prime Minister Lee was especially concerned to point out that in Singapore the great majority of Communist supporters were found among those who had not been born in Singapore. Under the citizenship legislation of the previous Lim Yew Hock Government, any person could become a Singapore citizen who had lived in Singapore for at least two years. So, the unity of Singapore with the Federation will disenfranchise in the national elections a large proportion of people who had considered themselves Singapore citizens (although presumably still able to vote in the local elections). He failed to mention the situation that might arise if the local assembly were ultra left (representing the majority of the Singapore popula-

tion) while the representatives in the national assembly at Kuala Lumpur were centre or right wing (representing only the Singapore-born citizens). Presumably, as many powers as possible will be handed over to the Federal Assembly at Kuala Lumpur. Foreign Affairs (at present under British control), internal security (at present under effective Federation control) and certain national services such as Broadcasting will go to the Centre, although the local Singapore Assembly will continue to control such fields as Education. (Something like 45 per cent of the Singapore population attend school, one of the highest proportions in the world).

What Singapore Will Lose

It is quite clear therefore that many of those who elected the Peoples' Action Party to power have something to lose in the way of civil rights if they continue to support the party. Instead of being able to control their own civil affairs almost entirely, they are being asked to join the Federation in exchange for the undoubted economic benefits which will accrue from a closer unity between the two. The more left wing the Government desired by the people of Singapore, the more likely it is to come into conflict with the Central Federation Government. The present UMNO-MCA-MIC Alliance in Kuala Lumpur is nationalist rather than radical. Since the Communist supporters in Singapore come mostly from the section which will be disenfranchised if Singapore becomes part of the Federation it is hardly surprising that they are among the most powerful opponents of union. Yet if they are not given the same rights as they have, at present they will always form an effective counterweight to any policy put forward by the Singapore Government under a more restricted franchise.

It is thus rather naive of Prime Minister Lee to put the present difficulties of the Government on the shoulders of the Communist underground. The continual permutations and combinations that the Peoples' Action Party has undergone in its attempt to be friendly with the Communists while really using them for their own ends has cast doubt on the aims of the PAP

itself. According to Mr Lee some of the parliamentary private secretaries to the PAP ministers were known to be Communists when they were appointed. The PAP was able to work with them for a while before they were thrown out. The party was able to follow a policy of popular front for a while and then found they could not. The Communist "plenipotentiary" who negotiated secretly with Mr Lee was subsequently found to be on the police "wanted man" list. Yet Mr Lee (who must bear partial responsibility for the laws under which the police work) did not denounce him to the police but continued to work with him until the differences between the PAP and the Communists became too wide.

Parties Divided over Union

So at the end of this whole process, the PAP is back where it started from before the "deal" with the Communists. The different parties are divided somewhat as follows:

The Barisan Socialis, consisting principally of Communist supporters made up of the breakaway political secretaries of the PAP, stand for equal electoral rights for all Singapore citizens (both Singapore born and immigrants) and union with the Federation only under these conditions. Since they know the Federation can never accept all Singapore citizens as equal (as it conflicts with the Federation law), they advocate that Singapore becomes a full State controlling its own affairs.

The Peoples' Action Party stands for total integration with the Federation on the basis of citizenship laid down by the Federation law on much the same terms as the other states in the Federation (except that Education remains a Singapore matter. This is really a big concession by Tengku Abdul Rahman). They claim that no election is necessary until this integration comes about as it was part of the original PAP platform.

A right wing party under Lim Yew Hock, the Peoples' Alliance, ran the Government of Singapore until the landslide victory of the PAP at the last elections. This party is supported by Singapore commercial interests for the most part but is unlikely to

gain much support from the people at large. It has not laid down a specific policy on the question of Singapore/Federation merger but probably supports the general stand taken by the PAP. There are also various smaller parties which have not very much support from the population at large.

Britain Must Choose Naval Base or SEATO?

Probably in the long run, the determining factor will be the attitude of the Tengku, Abdul Rahman, Prime Minister of the Federation. During the last six months he has become a keen supporter of total Federation of not only Singapore but some of the other Malay states at present outside the Federation such as Borei and Borneo. He sees the danger that a very left wing Singapore could instigate a new Communist uprising in the Federation. There is no constitutional reason why Singapore should not now join the Federation. There are, however, three other events which may hinder a union:

(1) The Tengku has unequivocally refused to allow the British to use Singapore as a naval base as long as Britain remains a member of the SEATO. Peculiarly enough, the Communist dominated Barisan Socialis has no objection to the Singapore British base remaining in SEATO or not.

(2) The PAP majority in Singapore is now only one. If one more PAP Assembly member defects, a general election is almost inevitable with a possibility that the disenfranchised Singaporeans will almost certainly vote against any Government which denies them full political rights in Malaya.

(3) A systematic series of political strikes with disorder which would cause British or Federation intervention (as is legitimate under the present constitution) with the development of a strong anti-British and anti-Federation feeling among the population at large.

So the situation at present is full of risks and uncertainties. The PAP cannot be held guiltless in this situation as the present Prime Minister, Lee Kwang Yu maintains in his broadcasts but, nevertheless, the situation must now be resolved as rapidly as possible.

Development without Increasing Inequality

An Alternative Method of Plan Financing

Ramgopal Agarwala

The Five-Year Plans are expected to bring about rapid economic development and to take the country in the direction of a socialistic society.

That the objective of rapid economic development may come in conflict with egalitarian goals has been demonstrated by the experience of economic development under capitalism as well as under socialism.

The growing inequalities of income and wealth under our Plans indicate that the Planning Commission is not sure how these objectives can be reconciled.

This article attempts:

- (1) to show this tendency is inevitable under the present methods of financing the Plans, and
- (2) to suggest how it can be checked by an alternative method of financing.

It is obvious that if we want to raise the rate of economic growth, we must increase the rate of saving and investment above its present level. And it can be demonstrated that if we want to raise the ratio of investment to income we must bring about a shift in the disposable income from those whose propensity to save is low to those whose propensity to save is high. For this purpose, we would utilise a simplified version of Kaldor's 'Keynesian Theory of Income Distribution'.*

Let $Y = W + P$ where $Y =$ total income

$W =$ income of those whose propensity to save is zero.

$P =$ income of those whose propensity to save is positive.

Also $I = S$ where $I =$ investment

$S =$ saving

Now $I = S$
 $= s.P$ where $s =$ propensity to save

Therefore $P = \frac{I}{s}$

or $\frac{P}{Y} = \frac{1}{s} \cdot \frac{I}{Y}$

If therefore we want to raise $\frac{I}{Y}$ and s remains constant, P must rise.

[It is true that Kaldor's model involves the assumption of full employment which is not valid in Indian context; but since due to the existence of bottlenecks, elasticity of output is very low, this assumption of full employment does not invalidate our analysis. Again, the conclusion will remain the same if instead of assuming zero propensity to save on the part of W earners, we assumed only a rate of saving lower than that of earners of P.]

What would this rise in $\frac{P}{Y}$ mean

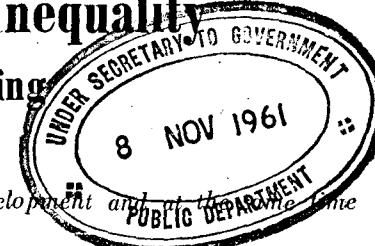
in terms of income of different socio-economic groups? It is difficult to answer *a priori* because we are not sure as to which group's propensity to save is approximately zero and which group's propensity to save is positive. We can, however, make a guess which would, I hope, bear the test of statistical investigation. Broadly speaking, we may say that fixed income groups (both wage and salary earners) have a propensity to save which is very near zero (or in any case lower than that of the fluctuating income group). Wage earners' propensity to save is approximately zero because of the low wage-rate and strong demonstration-effect. The salary earners do save a portion of their income, but this is mostly for future consumption (e.g. in old age) so that at any time, the salary earners as a group are not saving much. Farmers may be expected to be thrifty, but due partly to their low income level and partly to the strong demonstration-effect, they do not save any substantial portion of their income.

The main savers in our economy are the business class, (including industrialists, traders and rich farmers) and the Government. That means that in order to raise the investment-income ratio we shall have to bring about a shift of disposable income from the wage and salary earners and farmers to the business class and the Government. And since the business class is in general already richer than the former groups, this would result in growing inequalities. At least that will be the case, so long as we stick to our present methods of financing investment. Let us see how.

II

Deficit Financing

One of our present methods of financing the Plans is inflationary credit. Inflation would obviously shift real income from the wage and salary earners to the entrepreneurial class. This will be the case even if wages are adjusted to prices in the long run. If prices rise by 1 per cent a month while wages are increased once a year by 12 per cent, there will be a reduction in the real value of wage bill of 6 per cent (neglecting the compounding) and profits of the entrepreneurs are increased correspondingly. Inflation may be expected to increase the income of the farmers. But in the Indian context it does not. This is so because in India the advantage of higher agricultural prices is mainly reaped by the traders while the farmers have to pay higher prices for their industrial necessities when inflation is on. The Government is also





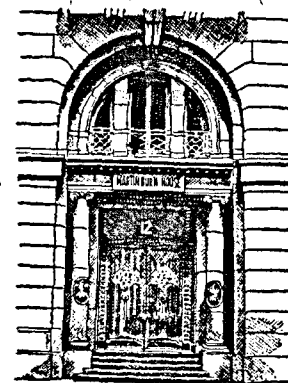
No liveried footmen or blazing chandeliers remain to proclaim the grandeur and gaiety that once pervaded the large red brick mansion that still stands in Calcutta's Hastings Street and which Warren Hastings, India's first Governor-General, built for his charming wife as her town house. For many years 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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benefited to the extent that it creates money, to the extent that it is an 'entrepreneur' and that tax on money income is progressive.

Thus inflation may create 'forced savings' in the economy by bringing about a shift of real disposable income from persons with low propensity to save to persons with a high propensity to save. But in this process it is bound to come into conflict with our egalitarian objectives. Not only does it increase present inequalities of income but it also prepares the ground for future inequalities of income by creating inequalities of wealth. (Wind-fall profits also lead to extravagant consumption standards and thus strengthen the already strong demonstration-effect.)

Inflation and Incentives

Equally undesirable will be the effects of inflation on incentives. Rising profits may provide incentive to capital, but after a certain point, these may divert the capital into speculative channels. Still more injurious will be the effects on work incentives. Falling real income of wage and salary earners may reduce the work-effort. In those sectors, whose trade unionism is strong, inflation may lead to demand for linking wages to the cost of living index. If this demand is not conceded, it is likely to result in strikes and thus loss of labour hours. If it is conceded, it will to that extent make inflation ineffective as an instrument of bringing about the required transfer of disposable income and may also open up the possibility of a runaway inflation with all its attendant evil effects. (This dilemma was dramatically brought out in Government's refusal to link wages and salaries of its employees to the cost of living index and the consequent general strike of Central Government employees.)

In this context, we may also comment on recent suggestions (by Dr V K R V Rao and Professor J K Galbraith) to raise profits of public enterprises for financing the Plans. To the extent that it is done by reducing costs, eliminating wastes, there is nothing to be said against it. But if this is done by raising prices of the products of Government enterprises, it is not likely to be very helpful. For so

far as the prices of goods required for capital-formation are raised, it would only raise the monetary value of investment and will not serve the purpose of creating additional savings. If, however, only the prices of consumer goods are raised, it will not be quantitatively significant.

We may here also comment on the suggestion that we should put greater reliance on deficit financing combined with a scheme for rationing and price-fixation of the necessities. From our recent experience we may feel doubtful about the success of such measures when additional purchasing power is pressing against short supply. And to the extent that these are successful, the pressure of purchasing power will tend to divert production in the direction of non-necessities, although they may be what the consumer least wants and what it is least desirable that he should have.

III Taxation

The second important method for collecting resources is taxation. If the Government's tax collecting machinery is strong enough, there is no reason why it should not succeed in creating savings equal to planned investment. But this method has its limitations. Any increase in direct taxation beyond the present rate (especially in high income brackets) will have serious disincentive effects on work-effort, savings and investment. Nor will Kaldor type of expenditure tax be helpful. (A temporary expenditure tax may fare better.) As has been shown by Prest in the *Economic Journal* 1959, the effect of expenditure tax on saving and work-incentive are not likely to be significantly better than those of income tax especially in the case of temporary savers. If the expenditure tax only succeeds in raising savings of the capitalists, it will come in conflict with our egalitarian aspirations. Again, indirect taxes will be regressive in incidence and thus egalitarian. The suggestion to tax luxury goods only at a very steep rate is not likely to be helpful. If luxury goods are defined narrowly to include only goods consumed by the rich, they are not likely to be quantitatively significant. If, on the other hand, the term luxury goods

is defined broadly so as to include goods consumed by the poor (as suggested by Kalecki), the taxes on them will have regressive incidence. This possibility of regressive incidence is increased because of the fact that imposition of indirect taxes results in a more than corresponding increase in prices of the commodities. This is so because, many of the prices of industrial goods are administered prices and imposition of tax provides a fine opportunity for raising prices.

Against the third method of raising resources, namely, borrowing, we have nothing to say except point out its inadequacy. To the extent that issuing prize bonds,* increasing the rate of interest payable on savings deposits and bonds, the linking of the value of bonds to the price index may help in stimulating savings, those measures are welcome. But in the face of rapidly rising consumption aspirations, a suspicion of their inadequacy remains.

IV Compulsory Lending

Thus we find that neither deficit financing nor taxation can reconcile our objective of economic development and egalitarianism. We should note, however, that all that is necessary for creating savings equal to the planned investment is to reduce the capacity of disposal of income in the present time period of those whose propensity to consume is high, whereas the inequalitarian effects of inflation and disincentive effects of taxation are due to the loss of proprietary rights in the income. A solution is possible if we can reduce the right of disposal of income in the present period without depriving the earners of their proprietary rights in their earnings; I mean, if we can introduce a scheme of compulsory lending by the consumers to the business class and the Government.

That this scheme will have smaller disincentive effects than taxation is obvious. For each individual it is a great advantage to retain the rights over the fruits of his labour

* Special efforts should be made to popularise prize-bonds in the villages. For this purpose smaller lots of prize bonds with more widespread gains may be helpful.

even though he must put off the employment of them. His personal wealth is thus increased. By this plan, the wage and salary earner can consume as much as he did if his real income were reduced by taxation or inflation and in addition hold Government bonds for his future benefit and security. This part of his income would otherwise belong to the capitalist class and the government. Without such a plan, they shall have spent all their money, and have nothing over. For, prices will rise just enough for the money they spend to be used up by the increased cost of what there is to buy after meeting the needs of investment.

Inequalities Will Be Checked

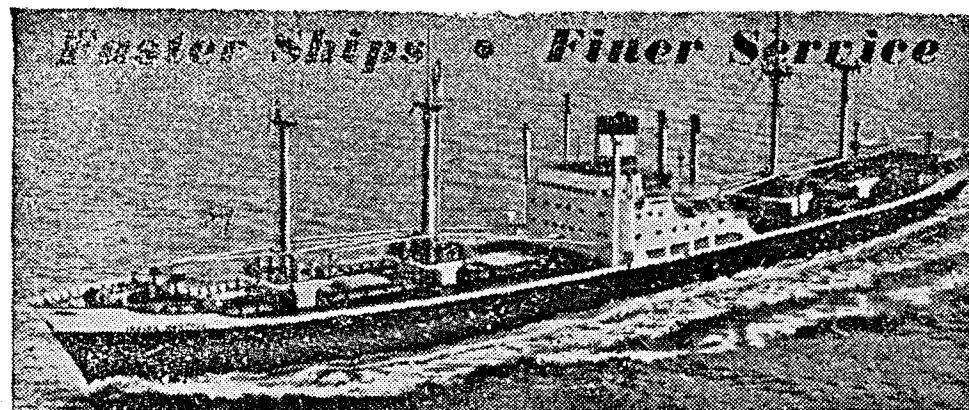
Even more important than the question of incentive is the fact that our scheme will check the growing inequalities of income and wealth. Further by broadening the ownership of wealth, it would give economic

security to the public in general. Lastly, the volume of outstanding loan would be a reminder of the income employed in public sector projects and would act a spur to efficiency in them.

If this basic idea of financing planned investment through compulsory loans is accepted, it should not be difficult to devise particular measures for achieving this objective. One suggestion would be to introduce a system of compulsory lending of a percentage of income (which will increase with income) to the Government. Among other things we may suggest making life-insurance compulsory, extending provident fund scheme, etc. We may create incentives by extending the system of progressive piece rates and reduce its inflationary consequences by a system of deferred payments. Similarly, profit-sharing scheme may be extended for stimulating incentives and inflation-

ary possibilities reduced by paying a part of the profits due to the workers in the form of equities of the company. This is only a sample of the particular measures which may easily be devised if the basic idea of compulsory loans is accepted.

The above must not be interpreted to mean that the whole of Government expenditure should be met by the systems of compulsory loans. Obviously current expenditure of the Government should be met by taxation. Capital formation by the Government may also be financed by money creation if the rate of increase of money supply does not exceed the rate of increase of output. All that is suggested is that from a theoretical point of view a system of loans — voluntary or compulsory — is better (more efficient as well as more equitable) than both taxation and deficit financing for financing schemes of capital formation and should be applied as widely as possible.



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The Backward Classes—II

Removal of Disabilities

Legal and Other Provisions

Lelah Dushkin

The 'big three' of special treatment are education, government jobs and political representation.

Education is the biggest and the other two depend on it. It is also the oldest, for the first efforts by social reformers on behalf of the untouchables began with education late in the nineteenth century.

As the educational system was geared to supply government personnel and as a white-collar job with the Government, however unimportant, had considerable social prestige, it is not surprising that education and government jobs were closely identified in the public mind. As special treatment expanded in the one, it did so in the other.

Indeed, once supported by special political privileges, the job concessions expanded much more rapidly than the capacity of the Scheduled Castes to benefit from them.

Whatever the importance of the 'big three' in the present Scheduled Caste policy, they do not affect the lives of the great majority of Harijans.

Landless agricultural labourers, village menials, under-employed artisans, urban slum-dwellers—these are the people for whom post-matriculate scholarships, reserved seats and government jobs are meaningless concessions. The basic fact of their lives is poverty and the indebtedness, exploitation, malnutrition and other ills that go with it.

In general terms, the economic concessions they now receive on a special treatment basis are only palliatives. The legislation and development which may provide a cure are of a kind and magnitude that affect the whole country.

BY providing equal rights and status to all citizens, the Articles of Part III of the Constitution deal with most of the traditional disabilities of the Scheduled Castes (SC). Articles 15, 16 and 29, pertaining to schools, public facilities and Government jobs, both prevent the State from allowing discrimination against any citizen on grounds of caste, religion, etc, and permit the State to discriminate in favour of the backward classes. Similarly, Article 25, guaranteeing freedom of religion, permits the State to make any law "providing for social welfare and reform or the throwing open of Hindu religious institutions of a public character to all classes and sections of Hindus", including Buddhists, Jains and Sikhs. Article 23 abolishes a practice from which Harijans suffer more than any other group, forced labour. Finally, Article 17 abolishes untouchability in any form and article 35 gives Parliament the power to legislate the imposition of penalties for its practice.

The Untouchability (Offences) Act

In April, 1955, eight years after Article 17 was adopted by the Constituent Assembly, the Lok Sabha

passed the Untouchability (Offences) Act by unanimous vote. It is a strong law, a complete about-face from Gandhiji's policy, followed during the Provincial Ministries, that "Governments cannot afford to lead in matters of reform" and should pass only enabling or permissive legislation. The Act combines the provisions of the State laws it supercedes and adds some more besides. The offences covered range from the usual battery of civil and social disabilities to the prohibition on wearing jewellery, from the bar on temple entry to discrimination by individual company officials. Some features are of particular interest.

The offences become punishable if they are committed "on the ground only of 'untouchability'". This posed a nice legal dilemma because untouchability had been abolished but not defined in the Constitution. Once abolished, it could not be defined in the Act even though it still existed. Under Sec 12, therefore the court presumes, unless the contrary is proved, that an act is committed "on the ground only of 'untouchability'" if it is committed in relation to a

member of a Scheduled Caste. This clause makes the Act a special treatment measure. Moreover, for Harijans it reverses the rule that the onus of proof is on the accuser. The third major innovation is the provision (Sec 7) against social and economic boycott, which was the traditional means of enforcing untouchability.

Observance of Untouchability

To date, the Act has been largely a dead letter. The wording of the Section on temple entry is such that numerous devices are used to evade it. Social and economic boycott is still imposed in the villages when the occasion arises, though people have to be less obvious about it sometimes. Persons working against untouchability prefer not to use the law except as a last resort, partly on principle, partly because that the law works better as an unvoiced threat than when it is actually enforced. Offences are cognisable but enforcement is lax. Punishments are often ludicrously mild. Cases drag on interminably, nobody takes much interest in them, witnesses seldom turn up and are unwilling to depose, and the Harijans can rarely last as long as their opponents. Out of 482 cases instituted in 1958, two

thirds were pending at the end of the year and 47 per cent of the remainder were compounded! (Report of the Commissioner for Scheduled Castes and Scheduled Tribes, 1958-59, Appendix XIII)

That the wide provisions of the Act are indifferently observed is not surprising when one considers that public campaigns against untouchability began only around World War I and did not become extensive until the 1930's. If there is a revelation, it is that observance of untouchability has diminished as much as it has during only one or two generations.

Official Programmes

In order to provide themselves with some sort of measuring rod, the Centre and some States have begun taking surveys to find out how much and in what forms untouchability still exists. The surveys are on a small scale because of inadequate funds and have been taken mainly in North India. (Report 1958-59, pp 32-37, and Report 1959-60, pp 29-31). They confirm earlier observations that the sharpest break in the continuum of caste rank is not between Harijan and non-Harijan but between Bhanggi (scavenger) and non-Bhanggi, and that for the rest of the Harijans, the precise customs followed vary widely among villages and the different Scheduled Castes. For example, each Harijan caste tends to have its own water supply. Where they share a well they do not let the Bhangis use it. Where (non-Bhanggi) Harijans use the village well custom prescribes how each caste should draw water and with what kind of vessel.

The lower a caste is, the more it has to prove that there is one still lower; so all the exclusion practised from above is applied to the allegedly lower caste. Frequently, untouchability is strongest among the Scheduled Castes.

Government programmes for the removal of untouchability, in order of appearance under this heading, are, (1) propaganda and allied activities conducted, wherever feasible, through non-official voluntary agencies; (2) promotion of mixed hostels and housing colonies; (3) improvement of the living and working conditions of urban Harijans, especially sweepers and scavengers. Each of these involves

efforts to change public attitudes as well as welfare measures for the Harijans themselves. About a dozen States also provide legal aid for the SC but on an uneven and insignificant scale.

The Dirty Occupations

India's health and sanitation depend on the scavengers, sweepers and persons who dispose of dead animals, but because these are the dirtiest occupations the castes which perform them are the lowest of the low. Gandhiji publicised this "poetic injustice" for many years, but Government has been hastening slowly.

The Centre urged the States to adopt the recommendations of the Bombay Scavengers' Living Conditions Enquiry Committee, 1949, to improve the living and working conditions of municipal workers. (Report 1958-59, pp 42-46). Some steps were taken, but most Local Bodies pleaded lack of funds, and little was done even in Bombay. In 1957-58 the Home Ministry started paying half the cost to Local Bodies of wheelbarrows and carts to replace the head baskets commonly used for night soil, but few have adopted the scheme. Most of the Rs 64 crores committed to the Health Ministry's National Water Supply and Sanitation Programme is for water supply schemes, which are self-paying; the drainage schemes have evoked little response. Only in the last few years, apparently, has the Health Ministry started a "Research-cum-Action Project" to develop a cheap scavenger-free latrine acceptable to villagers.

Ultimately, the only way to end the degradation of the scavengers is to install facilities that do not require scavenging. But here one must cope with the attitudes of the scavengers themselves, since they depend on it as their sole means of livelihood. Reportedly, they have "little aspiration to enter other professions or occupations and attain a status of social equality." (Report of the Scavengers Living Conditions Enquiry Committee, Bombay, 1952, p 2). The Commissioner of Scheduled Castes and Tribes believes that the urban Bhangis' main problem is not economic (they are better off than their country cousins) but psychological, and keeps urging them at least to bring up their children to other occupations.

Leather-Workers

The attitudes displayed by the castes which haul and flay dead animals, tan hides and manufacture leather-goods, however, has been very different, as has been the official response to it. For some decades they have been taking up other occupations, particularly agricultural labour. The leather-workers have been faced with stiff competition from modern industry, but the haulers and flayers have no competition. They want to be rid of their untouchability, and on the popular belief that it is the occupation that brings the degradation, they are giving it up, even when it is more profitable than other work. This movement is widespread, especially among the Chamars of the north, and is frequently enforced by the caste panchayats. In some cases the panchayats have decided abruptly to refuse to remove dead cattle, even without alternative employment in sight. Wherever this happens retaliation is immediate, often cruel, and there have been some ugly outbreaks of violence in the countryside.

Official concern has grown of late at this decline in the village leather industry. Several Central and State bodies have been conducting surveys and starting schemes for improving the employment potential and production methods in the village leather-industry in order to encourage Harijans to stay in it and avoid the loss of national wealth. Government has also subsidised a few small, experimental schemes under the Removal of Untouchability programmes for coping directly with the prejudice against these trades. These programmes are intended to train the leather-workers to use cleaner, more efficient methods and to encourage some non-Harijans to go in for training for the same work.

The various proposals now being made by Government for inclusion in the Third Plan untouchability programmes call for similar changes and also encourage Harijans to take up non-traditional occupations. Madhya Pradesh, for example, announced in January 1961 that it would give a special allowance of Rs 90 plus pay to non-Harijans who become municipal sweepers and would give financial encouragement to Harijans opening tea stalls and

restaurants. The Centre is introducing long-handled brooms for more dignified sweeping and is considering employment of Harijans as cooks and bearers in Government canteens and catering establishments.

Under the Third Plan, top priority in the Removal of Untouchability and some other SC programmes is to be given to improving the living and working conditions of sweepers and scavengers, mainly in urban areas. Plans are to be worked out on a comprehensive scale, and presumably the above schemes will play some part in them. The main emphasis will be on slum clearance, housing and house sites. The extent to which these will be special treatment measures is not clear at present.

Hostels and Housing

An integration policy for housing and wells has existed on paper for some time (Bombay adopted it over thirty years ago), and in the First Plan, the States were instructed "to take special care to ensure that the (new) housing projects and wells do not perpetuate the isolation of the Scheduled Castes from the general community." In most cases, however, these instructions were either ignored or overridden by practical considerations. In the past few years, this policy has been made more explicit, a sign that it is being given more emphasis.

The State Ministers' Conference on Backward Classes in February 1958 recommended that in all general hostels controlled or assisted by Government, at least 10 per cent of the seats should be reserved for Harijans and that in Harijan hostels, 10 per cent should be reserved for non-Harijans. Provisions of this sort are fairly common, but in most cases the non-Harijans in Harijan hostels either have to pay their own way or receive much lower boarding grants than the Harijans. The Ministers therefore recommended that they receive the same concessions as encouragement. This is much less common because of lack of funds. Where the hostels are in good condition and there is enough money to provide at least partial assistance, there seems to be no difficulty in attracting non-Harijan students to live there.

Integrated hostels are a good deal easier to cope with than integrated

housing colonies. Under the prevailing settlement pattern, the members of each caste tend to stick together in the same locality. The Ministers recommended that there be no separate Harijan colonies, and that they should take in at least 10 per cent non-Harijans, but this is rarely done. Most States have accepted integrated housing in principle but in practice it is more nominal than real. To the Ministers' recommendation that loans to General Housing Cooperative Societies be refused unless at least 10 per cent of the members are Harijans, most of the States replied that it was just not workable. If the houses and house sites proposed in the Third Plan are to be provided on an integrated basis, the specific policies and sanctions to be employed will have to be worked out in greater detail than they have been heretofore.

Propaganda

In addition to the publicity given to the removal of untouchability by the Ministry of Information and Broadcasting, the Centre has been making grants, directly and through the States, to voluntary agencies since the inception of the First Plan. The agencies conduct various kinds of propaganda, mainly in rural areas, and send out individuals who work on securing Harijans the use of services and facilities either through personal persuasion and negotiation or through public meetings and demonstrations. They also do welfare work, notably the running of hostels and educational institutions, but some of these functions are gradually being taken over by the States.

The States conduct publicity, make direct grants to the voluntary agencies and have additional schemes of their own. These vary a good deal, but most States observe Harijan Weeks or Days which include various public processions and demonstrations, lectures to school children, cleaning of Harijan bastis, social gatherings, intercaste dinners and a lot of speechmaking. Some States have adopted a programme, begun in Bombay, of awarding prizes to the villages which do the most to eradicate untouchability.

Bombay's successors and Madras also make provision for non-Harijans bringing up Harijan children in their families and for subsidising

intercaste marriages. That there are few takers under these schemes should go without saying, but these illustrate the lengths to which Government is now prepared to go.

The "Big Three"

The "big three" of special treatment are education, Government jobs, and political representation. Education is the biggest, and the other two depend on it. It is also the oldest, for the first efforts by social reformers on behalf of the Untouchables began with education late in the nineteenth century. In the early twentieth, it was in this field that special treatment for the then "Depressed Classes" was first adopted, on a very small scale, by a few provincial and State Governments. After World War I, educational concessions were increased, and under the Montford Reforms special treatment was adopted in the other two fields in the form of the nomination of a few Depressed Class representatives to the Legislative Councils and a few scattered concessions in Government jobs.

From these small beginnings, special treatment grew rapidly during the thirties. The Scheduled Castes were defined and listed all over India for the Government of India Act, 1935, under which they held reserved seats in the Provincial legislatures in proportion to population. Since the coming of reserved elective seats coincided with the inauguration of Provincial Autonomy and the appearance of the first real batch of Harijan Matriculates, a number of new concessions were adopted for Government posts.

Educational concessions were everywhere greatly expanded. As the educational system was geared to supply Government personnel, and a white-collar job with Government, however unimportant, had considerable social prestige, it is not surprising that education and Government jobs were closely identified in the public mind. As special treatment expanded in the one, it inevitably did so in the other. Indeed once supported by political reserved seats, the job concessions expanded much more rapidly than the capacity of the S C to benefit from them.

During the early 'forties the Central Government adopted special concessions in both education and Government jobs, and the Provinces and

States began or continued special concessions in other fields as well. By 1947, special treatment was well established in Government policy and in public opinion. Since adoption of the Constitution, which contains several special provisions for the Backward Classes, the concessions have mushroomed.

Political Representation

The only special treatment concession of which the terms are spelt out in the text of the Constitution is the reservation of seats in the Lok and Vidhan Sabhas. Seats are reserved for the S C and S T in proportion to population and are filled by joint electorates. These two basic provisions were first settled on in 1932, when Gandhiji went on his epic fast unto death against the provision for limited separate electorates in the Communal Award. The joint electorate system was adopted to require candidates of each side to seek support from the other, to give the S C and S T a chance to compete successfully for unreserved seats and, thereby, to keep them from relegation to the status of a perpetual minority. During the past decade, the number of S C holding unreserved seats has gradually increased. In the lower Houses of the Union and State legislatures where seats are reserved, the S C and S T each hold a dozen unreserved seats. In the upper Houses, where no seats are reserved, the S C hold 21 seats and the S T eight.

The third major provision is that reservation is to expire in twenty years. The original period was ten years, but in December 1959, Parliament passed the Constitution (Eighth Amendment) Act extending it for another ten years until January 26, 1970.

The fourth main feature is the system of double-member constituencies, which has been abolished for the 1962 elections. Under this system, single-member constituencies were reserved wherever the distribution of population made it feasible. The remaining reserved seats were in double-member constituencies, where the other seat was unreserved and went to whichever candidate, Scheduled or non-Scheduled, received the highest number of votes. (If a Harijan candidate won the unreserved seat, the reserved seat, was not thrown open but went

to the Harijan candidate getting the next highest votes). Almost all the Harijans holding general seats won them in this manner from double-member constituencies rather than from single-member unreserved constituencies.

Abolition of Double-Member Constituencies

In the Lok Sabha, all 76 S C seats and 15 of the 31 S T seats were in double-member constituencies. Of the 470 S C seats in the State Assemblies all but 3 in West Bengal were in double-member constituencies, as were 117 of the 221 S T seats. The two members were nearly always from the same party, usually Congress. (In the Lok Sabha, Congress was stronger in the reserved seats, holding approximately 85.5 per cent of the Harijan seats, 62.5 per cent of the Adivasi seats, and 57 per cent of the single- and double-member unreserved seats) Since passage of the Two-Member Constituencies (Abolition) Act in February 1961, the Election Commission has been dividing up the old constituencies for the 1962 elections. The new single-member reserved seat goes to the half which has the larger proportion of Harijans or Adivasis.

Reservation of seats at other levels of Government is not stipulated in the Constitution, but nearly all States provide it in the various local bodies and gram panchayats. For local bodies, more than half the States put it on a population basis. For local bodies in the remaining States and for panchayats in most States, it is either fixed at some number or proportion less than population, or representation is assured through nomination or co-option if the S C or S T cannot get a seat by election. This last practice appears to prevail at all three tiers in existing and proposed Panchayat Raj legislation. It is interesting to note that Harijan apprehension over Panchayat Raj is not usually expressed in a demand for proportional reservations on the Samitis and Parishads, but in the demand that the States continue to administer the Harijan welfare programmes in the Social Welfare Departments instead of decentralising their administration.

There is no statutory reservation in political appointments, but it has

become customary at the Centre and the States to appoint a Harijan Minister. Several States also have S C Deputy Ministers, etc, and one State a Harijan Chief Minister.

Several Schemes, Few Beneficiaries

The educational progress of the Harijans in only three generations has been remarkable. Several lakhs of Harijans study at all levels of education today. Very, very few of their grandparents were lucky enough to receive any schooling, and then only in segregated schools or under severe classroom discrimination. In the classrooms today, there is little discrimination in the towns, relatively mild forms of it in the villages, and nearly everywhere the Harijans have their way paid by Government.

More than a third of the money spent on the S C goes for education. During the first four years of the Second Plan, Rs 8.4 crores of the Rs 18.5 crores spent on Harijans was for education. Adding the S C expenditure of the Education Ministry, the total would be roughly Rs 13 crores out of Rs 23 crores, or more than half the S C expenditure, and this does not include additional funds spent outside the Plan, mainly for special Harijan institutions. As one might expect, Harijan enrolments have increased rapidly during the Second Plan, especially at post-matric levels.

The two main scholarship programmes are the Centre's scheme for inland post-matric studies (under the Education rather than the B C budgets) and the various State grants, largely for pre-matric studies. In addition, the Centre and some States also make grants for study overseas and in Public Schools. Several schemes exist under both of these heads but there are very few actual recipients and nearly all of them come from the Other Backward Classes (O B C).

The post-matric scholarships scheme, begun in 1944-45 with 114 Harijans, was extended to the S T and O B C a few years later and has grown enormously under the Plans. In 1951-52 there were 3,231 eligible Harijan applicants, of whom half received scholarships. In 1958-59, there were ten times as many applicants and every one re-

ceived a scholarship. Scholarships for the B C now number about 60,000 annually, valued at upwards of Rs 250 lakhs. About 60 per cent of the recipients are in undergraduate courses, 18-19 per cent in professional and 17-18 per cent in graduate courses. These proportions have not changed during the past five or six years. Administration of the scheme was transferred to the States in 1959-60 in order to cut down delays, but apparently the delays have increased, at great hardship to the students.

Many States grant fee remissions to Harijans at all stages of education; most of the others grant them at all stages but a few. They also provide boarding grants, examination fees, hostels, books, midday lunches, etc, etc, and supplement the Central post-matric scholarships either through fee remissions or through grants for living expenses.

Free Education Spreads

As the States progress towards free primary education for everyone, one of the methods being adopted is to extend the Backward Class concessions to all children in the lower standards whose families earn less than a certain income. As resources and facilities increase, they are either extended to higher standards or the income limit is raised. Madras, perhaps the first State to adopt this policy on a limited scale, has recently announced that education will be free for all children up to the eleventh standard. Bombay was the first to apply the policy throughout the State up to Matriculation, and the income limit was then raised by the successor States. In Maharashtra and Gujarat today, all children whose parents or guardians earn Rs 1,200 per year or less can receive the O B C free studentship up to Matriculation. Where this policy is being adopted, the Harijans generally continue to receive their concessions on a caste basis irrespective of income, or with higher income limits than those for other pupils.

At the post-matric level, application of income-merit standards is already common for the O B C because there is not enough money to go around. Only one-third of the eligible O B C applicants receive Central post-matric scholarships.

The means test of Rs 500 per month for the S C & T was abolished in 1957-58 because it was too high and the difficulty of getting income verifications from district authorities, together with administrative delays, caused too much hardship to the students. In 1959, the Central Advisory Board for Education and the Study Team on Social Welfare both recommended that a means test be reapplied to S C & T candidates, and this may be done once the present administrative tangle is straightened out.

As few B C students are enrolled in the higher technical and professional institutions, the Ministry of Education in 1956-57 recommended that these institutions reserve 20 per cent of their seats for B C students, lower the minimum admission marks by 5 per cent and raise the maximum age limit by three years. The Ministry did not adopt its own recommendations (only the Railway Ministry has) and the response from the other controlling bodies has been very mixed. Some Ministries and Universities have adopted various reservations but most of them refuse to lower admission standards, which usually means that the reserved seats are not filled.

Most Concessions in South

The States which apply uniform admission concessions are mostly in the South, where they have antecedents in the non-Brahman movements. Recent developments in Mysore, perhaps the most extreme case, are worthy of some note. The State reserved 20 per cent of admissions to its technical institutions for the S C & T plus 45 per cent for the O B C, which included the politically dominant Lingayats and Vakkaligas. The High Court, however, threw out the old definition of the O B C (everyone who is not S C or S T except the Brahmans) as well as the provision whereby they fell heir to all unfilled S C & T reserved seats.

In a later judgment, issued last January, the Court accepted the caste literacy rate as an adequate criterion of its backwardness, and the Backward Classes Committee has recently issued a new list of O B C. It excludes the Lingayats and divides the rest into two groups: 79

castes whose standard of education is below the State average and half of it, are to be called "backward" and have 28 per cent of admissions reserved for them; 135 castes, whose standard of education is below 50 per cent of the State average, are to be called "more backward" and have 22 per cent of seats reserved. The total is thus raised from 45 per cent to 50 per cent.

The High Court's judgment established that reservation for each of the three categories of B C was to mean a guaranteed minimum of seats in open competition and set forth the procedure for applying these reservations to the merit list, where all candidates are ranked by examination scores. This involves going down the list until the guaranteed minimum for each category is filled, though it is not clear how far down the list the authorities are to go before a reservation lapses. Because of its emphasis on merit as the initial criterion, the judgment has been hailed as a step toward a more equitable system worthy of adoption by other States.

Government Jobs

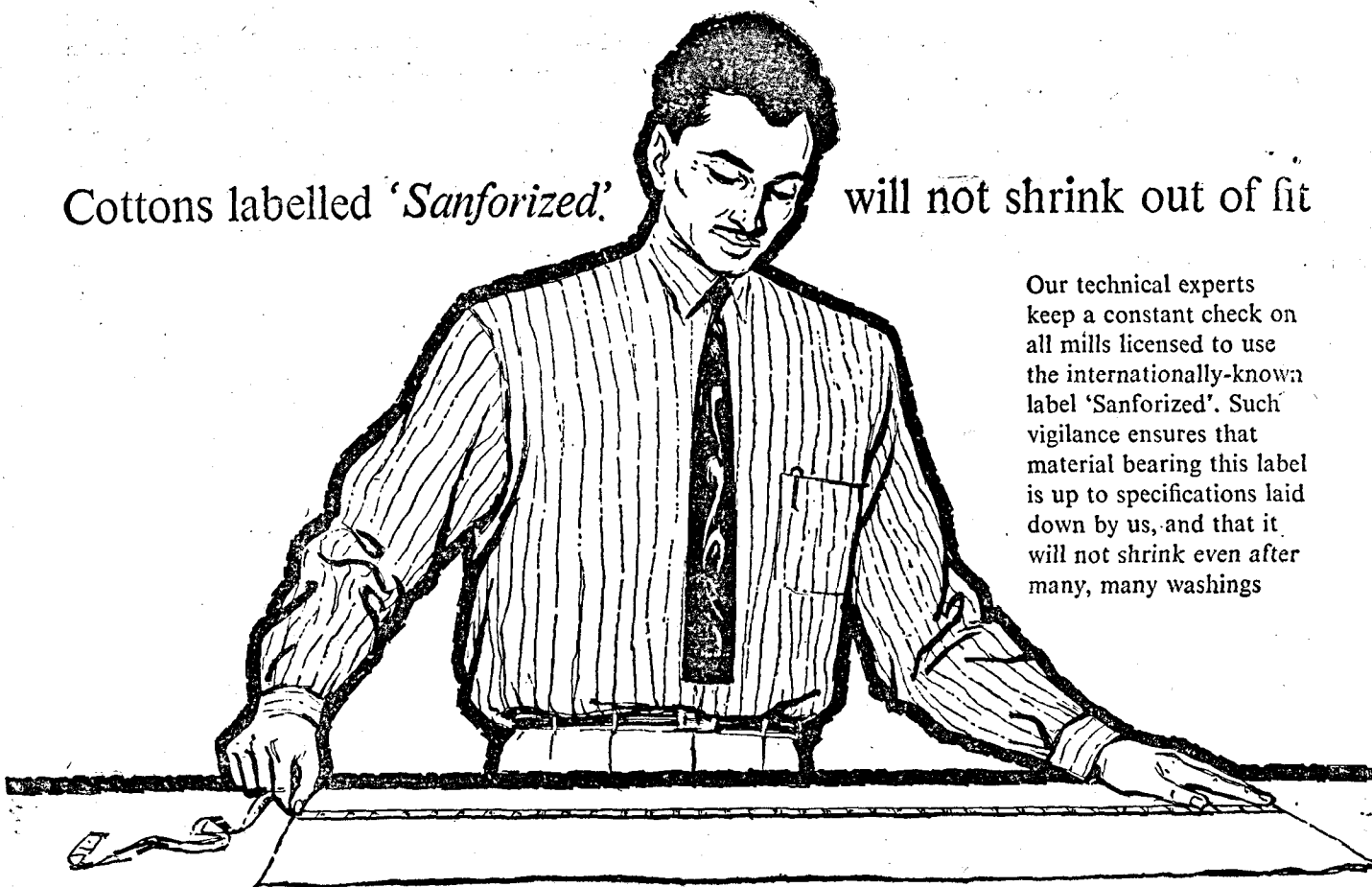
The Constitution requires the State to consider the claims of the S C & T in making appointments, consistent with administrative efficiency, and permit it to reserve posts for backward classes. The Centre reserves for Harijans 12½ per cent of posts recruited directly on an all-India basis by open competitive examination and 16 2/3 per cent of those not filled by open competition. (The S C form 15.3 percent of the total population.) Reservation for recruitment on a regional basis is fixed according to the regional S C population. The proportions reserved by the State vary but generally correspond with S C population in the States.

The Centre carries over reservation for any unfilled vacancies for two years before declaring them unreserved, and similar provisions exist in most States. The Centre and several States also raise the prescribed maximum age limit by five years for Harijan candidates and reduce fees for admission to examinations and selections to one fourth. There are numerous other concessions, includ-

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ing the freedom (not allowed to other employees) to register for a better job, while working for Government, and special protection for temporary SC & T employees against reversion or retrenchment.

Certain discretionary powers are given to the UPSC and other appointing authorities to relax standards in favour of SC & T candidates. Where recruitment is not by examination, a Harijan less suitable than other candidates can be appointed if he has met the prescribed minimum standards. Where recruitment is by examination, the authority can recommend a Harijan who has not met the minimum if it arranges for additional training to make up the difference. Occasionally the UPSC also holds examinations just for SC & T candidates in a special effort to fill up their "quotas".

Disappointing Results

The concessions are generous, but the results have been relatively slight, especially in the middle and upper ranks. Between 1950 and 1959, SC registration with the Employment Exchanges nearly tripled, but whereas placements with the State Governments rose correspondingly, placements with the Union Government did not increase, and the total placements showed a net decline. In the Central Government Service in 1957, Harijans held only 1 per cent of Class I, 2 per cent of Class II, and 6 or 7 per cent of Class III posts, all well below the desired quota.

The steps taken to deal with this situation are of three kinds. First, it is recognised that Harijan charges of indifferent implementation are not wholly unfounded, for there are known instances of inadequate publicity of reserved vacancies and even wilful obstruction of the communal rules. To counteract this, investigating committees in some States have recommended a number of improvements. At the Centre, the Home Ministry has appointed Liaison Officers in all the other Union Ministries and Departments and keeps expanding its special sections for checking on observance of its numerous instructions and for scrutinising the annual communal returns.

The main reason why so few Harijans are appointed is the lack of qualified candidates. The Centre has, therefore, now begun providing

training facilities to help more candidates to qualify. In 1958-59, the Home Ministry sanctioned a modest scheme at Allahabad University to coach SC & T students preparing for the all-India services examinations, and more classes are to be set up elsewhere. To date, no such training facilities appear to have been set up within the Departments to help Harijan employees qualify for higher posts.

Special Treatment for Promotional Posts

The third way to increase appointment of Harijans is, of course, to expand the concessions. The major instance recently was the adoption of special treatment for promotional posts. In practice, the Harijans recruited under the reserved quotas possess the prescribed minimum standards but are not as well qualified as their fellow recruits. Without an extra effort on their part to make up the difference, they cannot compete successfully for promotion. As a result, they are generally held up at their original post, which is one reason why the number of Harijans appointed to the coveted Class I and II posts remains very small.

The Home Ministry, therefore, issued a Memorandum in January 1957 providing concessions for promotion. For selection posts where promotion is based on competitive examination, the communal reservation applies for Harijans above the minimum efficiency standard, and the authorities can recommend Harijans below it if they arrange for additional training. Where selection is on some other basis, the Harijan is to receive the benefit of any doubt in assignment to a merit category. For non-selection posts requiring passage of a departmental examination, the qualifying marks for Harijans "need not be so high" as for other candidates. Where the criterion is seniority subject to fitness, the SC & T candidates "should be judged sympathetically without applying too rigid a standard" and... should not be superseded without their cases being reviewed at high levels." The first concession is justified on the ground that these promotions are in the nature of direct recruitment. In general, the other three concessions simply permit the authorities to give the SC & T sympathetic treatment.

The Railway Ministry, headed by a Harijan, is the only one to have made use of these provisions in a thoroughgoing way. The Circular issued by the Railway Board in April 1959 has been roundly criticised in the Press. The Supreme Court, however, upheld it in April 1961 in a decision on the case of a Harijan who had been rejected for promotion on merit and then called back for interview after the Circular was issued. Since the decision is so recent, one cannot tell what its effect is likely to be outside the Railway Ministry.

Welfare Programmes

Approach and Policy

If one were to rank the areas of special treatment by the amount of time and energy devoted to them by Harijan leaders and the officials concerned with SC welfare, government jobs would head the list. There is evidently a universal belief that the progress of the Harijans is best measured by the extent to which they penetrate the upper levels of Government service. The implicit assumption is that special treatment of all kinds is designed ultimately to ensure Harijans their proportion of the officials who run the country and will consequently last as long as is necessary to fill up the SC quota of government jobs. The writer, however, knows of no one who has put it quite so bluntly in public.

The announced position, in fact, is that all caste concessions for the SC are designed ultimately to remove untouchability. This presumably means that special treatment will last as long as untouchability does. Comments to this effect are made publicly from time to time, but the idea is usually more implicit than explicit. At any rate, the formal policy position of the Government of India is that all special treatment measures for the SC are means for the removal of untouchability.

This approach was expressed in the First Plan policy of devoting the Centre's special funds for the SC (except the post-matric scholarships scheme) exclusively to the Harijans' special problem, untouchability, and of dealing with problems they shared with many other people under other heads through economic legislation and need concessions.

This policy was logical, but in practice it was fictitious. The only difference between Removal of Untouchability and Other Welfare Schemes was that the one received 50 per cent grant-in-aid from the Centre and the other did not. The same items appear under both headings; the distinction does not appear to be tied in any way with the distinction between concessions which are based on caste and those which are not.

Distinction Dropped

In the Second and Third Plans the fictitious distinction has been dropped. "Removal of Untouchability" now includes only the more or less direct programmes already discussed under that heading, and the Centre and States devote the bulk of their funds and energies to a variety of other programmes for the S.C. It was the First Plan itself, in fact, which introduced the SC and OBC combined by saying that,

"The term 'backward class' is difficult to define. Backwardness is expressed in lack of adequate opportunity for group and individual self-development, especially in economic life and in matters of health, housing and education. It is measured in terms of low levels of income, the extent of illiteracy, and the low standard of life demonstrated by living conditions." (p 634)

Note that there is no mention of low social status in this definition of "backwardness." These are the problems that both caste and need concessions are really designed to overcome. Because crores of non-Harijans suffer, in lesser degree, from the same problems, and because the caste concessions are supposed to be temporary, the basic policy issue is how much each principle of assistance is to be employed. It is with this in mind that we turn to the economic and other welfare programmes for the Scheduled Castes.

The Constitution requires the President to appoint a Special Officer to report on the working of the provisions for the BC and Anglo-Indians. The Commissioner for SC & T, L M Shrikant, was appointed in 1950 and has 10 Regional Assistant Commissioners under him. Although his is a statutory office, he submits his voluminous annual reports through the Ministry of Home

Affairs, which handles BC matters in Parliament and has overall responsibility for the proper working of the Constitutional safeguards. The Home Minister is also chairman of the Central Harijan Welfare Advisory Board, whose 30 members are appointed by him.

The Commissioner has been given some executive functions under the Ministry, but his independence of views in his reports has not been interfered with. It has been decided not to give his office the same status as those of the permanent statutory Commissions, and the periodic demands for a separate BC Ministry have also been denied. The offices under the Commissioner are unable to do much field research or evaluation because of inadequate staff. The various ministers and State departments are frequently lax about supplying information for the annual reports, in spite of reminders.

Major Responsibility States'

The major responsibility for the SC programmes lies with the States, though most of the money, of course, comes from the Centre. The machinery between Centre and States is cumbersome and there is little policy coordination. All the States have Departments of Tribal or Social Welfare (formerly BC or Harijan Welfare) which deal with all the BC, and are advised by the appropriate Advisory Boards. These are not independent administrative departments; they are usually limited to advisory and coordinating functions. How the various plans are drawn up, policies coordinated and schemes implemented is not clear, even to those who have investigated the matter. It appears that the Social Welfare Departments mainly advise and prod the administrative departments and are seldom able to coordinate their programmes. The sloppy planning and the lack of coordination that seems to prevail have been severely criticised.

At any rate, most of the benefits provided to the Harijans are parts of other programmes (education, housing, agricultural loans, etc) and administered by the departments concerned. Consequently, it is sometimes impossible to tell whether a particular subsidy, etc, reported to have been granted to Harijans was actually awarded on the basis, in

part, of their caste membership, or whether they received it on the same basis as other people and it was reported under SC Welfare because everybody knew they were Harijans. Apparently the reported expenditures and numbers of recipients do not ordinarily include Harijans who were benefited under general schemes irrespective of caste.

It appears, moreover, that where concessions of the same sort are granted to Harijans and non-Harijans, the Harijan concessions are often more generous because they are paid for out of the SC budget, which receives relatively greater Central assistance. There is some evidence that in practice the State administrators feel themselves under little compunction to accommodate the Harijans under the general schemes, and that the special SC provisions, which are supposed to supplement the general schemes, actually replace them where Harijans are concerned. It is not known how common this practice is.

Expenditure

Out of a total provisions of Rs 91 crores for the BC, the Second Plan provides Rs 28.5 crores for the Harijans. Rs 5.7 crores are to be spent under the Centrally-sponsored programme, for which the Centre pays the States the total cost of schemes, and Rs 22.8 crores under the programmes of the States, for which the Centre pays up to half the cost.

During the first three years of the Plan, Rs 12 crores, or 42 per cent, was spent on Scheduled Caste schemes. The estimate for the fourth year brings the total up to Rs 18.5 crores, leaving Rs 10 crores for the final year. This glaring shortfall in expenditure during the early part of the Plan period has been characteristic of both Plans. The tempo of work has picked up toward the end of each Plan, but not enough to make up the difference. Moreover, large amounts of money reported as spent are not actually spent but are only book transfers. In 1959-60 the Commissioner estimated that at least Rs 26 crores of the Rs 91 crores for the BC would remain unspent at the end of the Plan. In October 1960 the Home Minister gave an estimate of shortfall of Rs 15 crores, and in April 1961 it was widely announced that there would

be almost no shortfall because the Ministry had "allowed redistribution of the allocation."

Book Transfers to Prevent Lapsing

The same sequence occurs during any one year. Most of the money is not to be spent during the last three months (January-March) and large amounts remain unspent at the end of the year. In order to avoid surrender or lapsing of the funds, the executive officers often transfer them to their personal ledger accounts or keep them in the treasuries as revenue deposits and then report them as spent. Every year, the Commissioner's comments on the handling and reporting of expenditures grow longer and more emphatic, as do those of the Press, but apparently to no avail.

Figures of the SC plan provision for its distribution rarely agree, but the main outlines are clear. Five major schemes account for roughly Rs 23 crores: Education, with over Rs 10 crores, Housing, with Rs 6 or 7 crores, Health (wells) and Cottage Industries, with Rs 2½ crores each, and Agriculture, with Rs 2 crores. Of the remainder, half comes under the "Miscellaneous" heading, and the rest is split up among 7 schemes.

Housing and Wells

The provision of Rs 680 lakhs for housing, as compared with Rs 12 lakhs incurred during the First Plan, shows the great increase in priority now given to these measures. They are of three kinds:

(a) Most of the Rs 449 lakhs spent during the first four years of the Plan has gone for the construction and repair of houses through the grant of subsidies and loans to Harijan families, building colonies, and financing cooperative societies.

(b) Most States have taken legislative or executive steps to confer proprietary rights on the Harijans, whose huts are located on other people's land, but few States have actually provided house sites to them in rural or urban areas. This is to receive more emphasis under the Third Plan.

(c) Two other schemes, housing for municipal conservancy staffs and slum clearance (a general programme), will also receive greater emphasis under the Third Plan.

The problem in all these measures—that of ensuring that the sites and

houses are in integrated localities—has already been mentioned. The steps that have been taken or recommended so far are mainly concerned with urban housing developments instead of with changing the rural pattern, in which Harijans live on the outskirts of villages or in villages of their own.

Lack of Integrated Facilities

The Rs 241 lakhs provided to the SC under the "Medical and Public Health" head is mainly for water-supply schemes. Most of the Rs 140 lakhs spent during the first four years has gone for the construction and repair of wells; some work has also been done to improve sanitation and provide medical aid in SC localities.

The problem of ensuring integrated facilities is even more in evidence here, partly because of existing residential patterns and attitudes of untouchability. Official efforts usually consist of saying that the wells are open to all; but ensuring that they really are used by all is mainly the task of the non-official agencies.

Cottage Industries

Most of the cottage industries schemes which affect the Harijans are carried out under the general development programmes rather than the SC budgets. This is as true of the village sector of the leather industry—where virtually all workers are Harijans—as it is of other small-scale industries. In the Second Plan, Rs 200 crores was provided for the general schemes and Rs 574 lakhs under BC Welfare, of which nearly Rs 240 lakhs was for the SC. Of this last amount, less than half was spent during the first four years.

The SC schemes are of two types. First, to improve the traditional trades, the States grant financial aid to individual artisans or cooperative societies. Over half the money is spent on this. There are also a few mobile demonstration units. Second, to develop new sources of livelihood for landless labourers and under-employed agriculturists, training and stipends are given to individuals for learning carpentry, smithy, basket and rope making, tailoring, weaving, leather-work, etc, and a number of training-cum-production centres have been set up. These training schemes take most of the

rest of the money. They are supposed to be followed up with financial aid so that the trainees can settle down in their new trades, but little has been done here.

More Attention for Production

Training on a stipendiary basis is supposed to be the mainstay of the SC sector of cottage industries, but the schemes have proved very spotty in operation. The drop-out rate is high, and even more wastage occurs on completion of the courses. Many trainees have no intention of going into their new trade and only take the course for the stipend of Rs 15 to Rs 30 per month. Others are trained for crafts in which there are no employment opportunities when they finish, and so on. It has been recommended that the "cum-production" part of the centres be given much more attention as a follow-up to the training section.

The most effective work of developing both traditional and new sources of employment for the Harijans has been done under the general programmes of the Khadi and Village Industries Commission. This work is done on a much more extensive scale than any of the schemes on the SC budgets.

Debt, Credit and Cooperation

Indebtedness is probably highest among the SC & T. Harijans often need loans just for subsistence or for equally non-productive ceremonial expenses. Because of their lack of land or other security, only the local *Sahukars*, who charge exorbitant interest rates, will lend them money. As the debt goes on mounting, it becomes impossible to repay and often passes on to the next generation. The *Sahukar* or wealthy landlord creditor seldom expects or desires the principal to be repaid, for he can profit more from the compounded interest and in other ways. If the main consequence of indebtedness for Adivasis is loss of land, for Harijans it is loss of freedom.

Under the classic pattern of debt bondage, the Harijan either inherits or contracts a large debt early in life—often to pay marriage expenses—and then either he or a member of his family becomes an unpaid servant or farm labourer for the *Sahukar* or landlord to work off the debt, an effort which he and his creditor know will continue for many years, if not for the rest of

his life. This pattern tended to become customary from generation to generation, sanctioned and regulated by tradition. It had many forms with different names and was very widespread.

Little Information on Forced Labour

Article 23 of the Constitution abolishes forced labour. But if the "abolition" of untouchability in Article 17 is any analogy, it is probably still prevalent. One does not know, for those who exact forced labour do not say so, those who suffer from it are unlikely to complain to the authorities, and the general assumption is that debt bondage does not exist any more. The Commissioner's earliest Reports dealt with forced labour, but for some years now they have not discussed the subject, presumably because the States do not collect the information. Rajasthan, however is investigating the *sagri* form of debt bondage in one district where the principal sufferers are Adivasis. One can only agree with the *Times of India* when it says that "it would be a good thing if the Social Welfare Departments in other States undertook a similar investigation" among Harijans as well.

Debt relief measures are of two kinds. First, almost all States have passed Moneylenders or Agricultural Debtors Relief Acts of some sort and some have supplemented them with others, and only four States have any special provisions for Harijans. Punjab and Orissa have certain debt relief provisions, and Rajasthan and the Chhotanagpur area of Bihar restrict land transfers by Harijans, as well as Adivasis, to protect them against land-grabbing by moneylenders. None of the Debt Conciliation Boards set up in various States are specifically for the SC, and there is no information on the extent to which the Harijans take advantage of them.

No Security to Offer

Although special treatment is rarely employed in debt and money-lending legislation, it is more common in schemes for the provision of credit and marketing facilities. This is characteristic of measures for economic improvement, for this type of assistance lends itself more readily to caste concessions. To date, the main programmes have been for co-operative societies and grain *golas*. Grain *golas* lend paddy to needy

persons for seed and, in times of scarcity, for consumption, in order to protect them from extortion by private dealers. The schemes, set up for Adivasis in four States, were extended to Harijans in the Second Plan, but they do not seem to have accomplished much because the Harijans do not usually have land to offer as security.

Under the Second Plan, Rs 18 lakhs was provided for developing Harijan cooperative societies, of which less than Rs 8 lakhs was spent during the first four years. Most of the cooperatives are credit societies. They provided little relief to their members so far, for their rules are strict, procedures complex, leadership inadequate, and banks are reluctant to make them loans. Thus, most Harijans continue to go to the local moneylenders.

Other Cooperatives

Several other types of cooperatives are being encouraged under the Cooperation programme as well as other SC schemes. Labour contract societies are being emphasised for the Harijans, though there are not yet very many of them. The States have set up a total of 4,120 BC Colonisation, Tenant Farming, Service, and other types of Co-operative Farming Societies, most of which are service cooperatives. It is not known how many of these are specially for the SC or what their effect on or membership among the Harijans is.

In cooperation, as in other fields, much of the work is being done by various all-India Boards, such as the Khadi and Village Industries Commission, and is not on a special treatment basis. The most successful cooperatives, apparently, are those set up under the cottage industries schemes, which handle production and marketing as well as credit. Those receiving good guidance, such as the Leather Workers Cooperatives in UP, have brought considerable benefit to various artisan castes. But efforts to cope with the problem of indebtedness and its concomitants among the landless labourers have so far made little headway.

Land and Agriculture

With land and agriculture, as with debt redemption and provision of credit, the reservation type of concession is rare for Harijans, and

special treatment, where it exists, is mainly of the type involving grants and other expenditures. The land reform measures are roughly of three kinds. First, there are laws providing ownership or increased security for tenants. None of these includes special treatment for Harijans. Second, there are non-alienation or restricted transfer clauses or orders. Most of the special concessions here are for Adivasis. In only two or three States—those already mentioned in connection with checks on moneylenders—do they apply to Harijans.

Third, there are grants of different kinds of land. Here three States have various reservation policies for certain types of land. Two used to have reservations but have abolished them. Harijans now get preference as individuals after certain institutions and cooperatives in these policies. Three States have preference policies, and two have other special schemes. Four States have no special provisions for Harijans.

Largest Schemes in Madras, Mysore

Most of the State agricultural schemes for the SC assist reclamation and settlement on land, sometimes in connection with the land distribution schemes. Much the largest schemes, however, are in Madras and Mysore, where Harijans already own some land. Only Rs 83 lakhs out of the Plan provision of Rs 214 lakhs was spent during the first three years, and of this Madras accounted for 44 per cent and Mysore for 22 per cent.

The schemes usually consist of gifts of bullocks, seeds and implements, or of subsidies for their purchase and may also include provision of irrigation, aid to co-operatives, and establishment of agricultural colonies. Madras and Mysore each generally benefit 2,000 to 4,000 families a year with their grants, but in the other States the figure is closer to 200, frequently even less.

Land Reform Imperative

According to the 1951 Census, one quarter of the Harijans are landless labourer families and account for one third of the total landless agricultural worker population. Both because of economic pressures and because of the role of land in the

social structure of a rural society, the success or failure of the land reform and agricultural development programmes is of crucial importance to them.

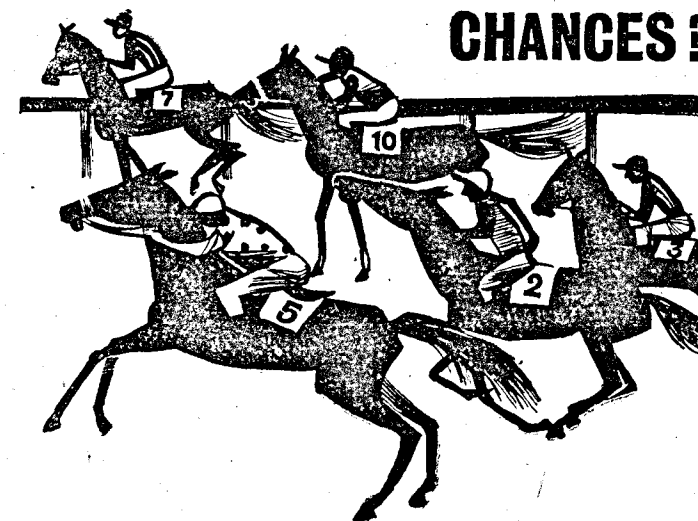
It is widely asserted that very few landless Harijans really have received benefits under either the general or the special SC programmes. There is not enough land to go around, and land legislation has generally benefited those who already had occupancy rights. The Community Development Programme, for reasons which are often beyond the control of the overworked Village Level Workers, has generally benefited the small independent farmers or well-established tenants. According to the Second Five Year Plan:

"Very little has been done to provide land for landless agricultural workers and efforts in support of cooperative farming and cooperative village management have been half-hearted, and meagre. Invariably the intentions of land reform legislation have not been fulfilled to the extent hoped for because of inadequate administrative action and weakness in organisation at the village level." (P 74).

Unfortunately, the evidence suggests that these words are very nearly as true now as they were five years ago.

However large the "big three" of special treatment may loom in a discussion of Scheduled Caste policy, they do not affect the lives of the great majority of Harijans. Education and the opportunities it leads to are hopes only for their children, at best. Landless agricultural labourers, village menials, underemployed artisans, urban slum-dwellers—these are people for whom post-matric scholarships, reserved seats and government jobs are meaningless concessions. The basic fact of their lives is poverty and the indebtedness, exploitation, malnutrition and other ills that go with it. They have no monopoly on poverty, though they often suffer from its most cruel forms. In general, the economic concessions they now receive on a special treatment basis are only palliatives. The legislation and development which may provide a cure are of a kind and magnitude that affects the whole country.

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Trading in Seeds Suspended—Why ?

Thursday, Morning

THE oilseeds market is very much in the news. Futures trading in all the recognised markets in the country has been suspended since October 28. It is not that speculators have not been observing the code of conduct laid down by the Forward Markets Commission; nor is the market faced with any payments difficulty. The Commission is not satisfied with the market's behaviour because groundnut prices have risen sharply notwithstanding the fact that the new groundnut crop has started moving. Such behaviour at the commencement of the crop movement is not in the overall interests of the economy says the Commission. Futures trading, therefore, has been suspended to enable it to take such steps as may be necessary in the public interest. The Commission is known to have played havoc with markets in the past in the 'best interests of the trade and the public' when all that had been at stake was perhaps the interest of a few professional operators.

It is true that groundnut January contract had recorded quite an impressive rise from Rs 195.37 to Rs 210.75 per 250 kgs between October 17 and 27—the latest quotation is around Rs 206.75. But the contract had been quoted much higher around Rs 225 on the very first day of its opening on July 7. Technical considerations alone could have produced the recent sharp recovery, particularly because bears had been known to have gambled heavily on prospects of an excellent crop varying between 27 lakhs and 30 lakh tons. That the new groundnut crop is nearly 5 lakh to 6 lakh tons more than in the preceding season is not disputed. And that is precisely why groundnut ready which had touched an all-time high of Rs 285 per 250 kgs a few months ago was sold down to Rs 210 some days ago and is currently quoted around Rs 222.50. This is indeed a sizable decline: very often this amounts to a full season's range.

When to Act — and When Not

There is little sense in blaming speculators for pushing up prices

when the spot material is known to be commanding a huge premium all the time, indicating some sort of imbalance between demand and supply. Speculation is prone to excesses and measures have to be taken to check unhealthy speculation. It is one thing to enforce stricter discipline on the market but to associate every rise in prices with unhealthy speculation is quite another. Speculation can be said to assume unhealthy proportions only when it threatens the liquidity and solvency of the market. Torn by conflicting interests—bulls and bears are always at war with one another—the trade is unable to speak with one voice and protest against the Commission's unwarranted interference in the normal working of the market but that is scarcely any reason why the Commission should resort to measures which make nonsense of speculation. If the Commission is convinced that futures trading leads to an undue rise in prices it had better close the futures market. But it is good to remind the Commission that the arbitrary squaring-up of positions, penal margins and ceilings on futures have not been of any help in the past in making the spot material any the cheaper and it is really the spot material which matters.

Oil is made out of seeds and not out of seeds futures and so is the yarn made from cotton and not out of the hedge contract. Last season ready groundnut shot up to a record high of Rs 285 even though futures trading came to a standstill at Rs 220. It is interesting to hear market men say that left to itself the Commission might not perhaps have taken any serious notice of the recent recovery in groundnut and groundnut oil prices; the Commission has been merely carrying on the instructions from the higher authorities in New Delhi. A rise in domestic prices will adversely affect export promotion drive but surely prices cannot be brought down by official fiat. If the demand and supply position warrants a rise in the price of a commodity there is little that the Forward Markets Commission can do to check it. New

Delhi alone is competent to take measures which can have a direct impact on the spot material.

Prices Recede

To come back to market story, oilseeds prices recorded further sizable improvement earlier in the week but later receded on nervous bull liquidation induced by all sorts of conjectures about what the F M C might do to check the rising trend in prices. Groundnut January which had risen from Rs 203.75 to Rs 210.75 declined to Rs 205.50 in kerb dealings and were quoted around Rs 206.75 on Wednesday evening. Castor March improved from Rs 160.75 to Rs 163.50 but only to drop sharply to Rs 159.75. Linseed followed groundnut and moved between Rs 36.91 and Rs 36.50 per 50 kgs. The trade is anxiously awaiting the Commission's next move. It is quite likely that bulls will be called upon to pay heavy margin when trading is now resumed. But margin can only eliminate the small fry from the market; it cannot produce any lasting effect on the course of prices.

Export business put through last week consisted only of groundnut extractions. The U K and the Continent were reported to have purchased 8,000 to 10,000 tons and the prices paid were mentioned around £29.15 for December shipment, £28.17½ for January and £27.17½ for January-March shipment. Castor Oil Commercial was quoted around £112 without attracting any offers from India. Export houses reported good inquiries for HPS groundnut but business is not possible due to lack of quotas. It is time the Government made up its mind about export of HPS. Overseas buyers cannot be expected to wait indefinitely for supplies from India. Exports have often suffered in the past because of the untimely announcement of quotas.

Cotton

Futures at New High

COTTON futures last week recorded an impressive rise and made a new high mark for the season. The March contract which was quoted at Rs 626 (per 3 quintals)

on October 26 advanced sharply to Rs 639.50 on October 30 on short covering and scarcity of fresh offerings. Rumours about possible intervention in the market by the Forward Markets Commission, which had already suspended trading in oilseeds futures, induced some hasty selling on Tuesday and the contract declined to Rs 633.25 but it was up again at Rs 638.25 the next day. At Wednesday's closing of Rs 637.50 the contract showed a net gain of Rs 11.50 over the week.

The rise in futures reflects the growing strength in the spot section because of the slow pace of arrivals and steady spinner inquiry. Most observers now place the 1961-62 crop around 49 lakhs bales and the estimate may have to be revised upward if the South India crop turns out to be larger than in the previous season. It is not possible to assess that crop yet. While the new crop is 3.5 lakh to 4.50 lakh bales less than in the previous season, mill consumption is expected to rise as a result of increased spindleage. This will reduce the carryover at the end of the season, particularly of indigenous cotton. The total carryover will depend on the quantum of imports during the season. The Cotton Advisory Board has estimated the imports requirements between 12 lakh and 13.5 lakh bales.

The Committee of the Indian Cotton Mills' Federation discussed on November 1 the question of imports and the introduction of compulsory survey because of the rise in cotton prices to around the ceiling levels. The Committee's decisions are awaited with interest since they are likely to have an important bearing on the quantum and composition of imports and also on the marketing of the crop. If cotton prices keep very close to the ceiling the trade will have a difficult time during the season.

The Union Food and Agriculture Minister, Shri S K Patil's statement on cotton at the anniversary celebrations of the Maharashtra Chamber of Commerce has aroused considerable interest in cotton circles. Shri Patil rejected the plea for an increase in cotton prices on the ground that this would make Indian cotton textiles uncompetitive in world markets but added that "if worse comes to worst, we can give a subsidy to the cotton growers but can-

not increase the cotton prices." He also rejected another suggestion for stopping the import of short staple cotton on the plea that stock-piling was necessary to impart stability to the market. The cotton trade has long been pleading for an increase in the ceiling prices on the argument that on the basis of the current ceilings, the production of cotton is not as remunerative as that of other crops which is why area under cotton cultivation has been gradually declining.

Not much progress has yet been made in the export of Bengal Deshi cotton. Sales registered up to now are mentioned around 45,000 bales. The U S buyers are reported to have shown fair interest in Indian Deshi recently. The trade seems hopeful about an early marked revival of Japanese demand. Prices quoted by the overseas buyers have shown a hardening tendency since recently. Domestic prices of Bengal Deshi also have recorded a rise of Rs 20 to Rs 25 per candy over the past two weeks.

Stock Exchange

Equities Rise Further

SLOWLY but quite confidently, Dalal Street continues to edge its way up and the prevailing mood of the market holds out the promise of a further good rise in the near future. Last week many counters rose to new high levels in the current bull phase which has been in progress since the end of August. Hindustan Motors, Indian Iron, Telco, Tata Chemicals, A C C, Digvijay Cement, Khatau and Century were among the prominent bright spots in the forward section and the improvement was by no means confined to the cleared securities. Cash shares also displayed marked strength. Turnover continued to be moderate throughout the week but activity tended to shrink whenever prices eased a little on corrective profit-realising. After recording a new high of 144.55 on October 28 Vyapar's equity share index receded to 142.83 but firmed up again to close at 143.93 on November 1 against 143.25 a week earlier.

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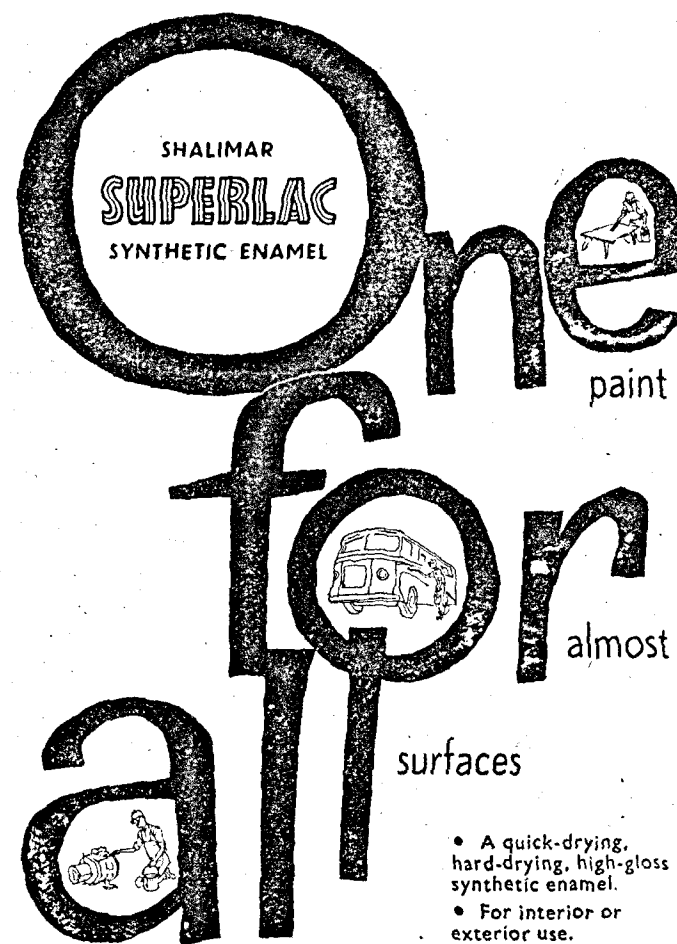
BOMBAY Burmah provides another instance of how diversification of activities can be beneficial to a company by making it possible to offset adverse conditions in a certain sphere of activity by favourable circumstances in others. Bombay Burmah's activities vary widely, covering timber, tea, coffee, cardamom, tapioca, boat-building, manufacture of asbestos cement and cement concrete products, etc. The main source of income to the company is, of course, timber, followed by tea. The year 1960-61 has been a successful one for the company's trading activities. Gross trading receipts have jumped from Rs 4.93 crores to Rs 5.59 crores. The sale proceeds from timber, accounting for nearly 40 per cent of the total trading receipts, have gone up from Rs 1.84 crores to Rs 2.12 crores. Income from manufacture and from coffee and other sundry receipts has also improved. The larger income from these sources has more than offset the small decline in sales of tea from Rs 1.98 crores to Rs 1.89 crores. The larger trading receipts have been supplemented by an increase in other income from Rs 24.81 lakhs to Rs 41.74 lakhs as a result of large dividend receipts on trade investments and from subsidiary companies.

The expansion of turnover has necessarily meant an appreciable rise in expenses, mainly in North Borneo and South India. Nonetheless, gross profit has increased from Rs 140.96 lakhs to Rs 158.71 lakhs. Net profit at Rs 62.91 lakhs represents an increase of only Rs 5.86 lakhs, mainly because of the larger tax provision. It provides an earning of 45 per cent on the paid-up capital, against 33 per cent recommended by the directors and 30 per cent paid for 1959-60.

In India the company's activity is mainly confined to plantations. The production of tea was more or less unchanged at 7.45 million lbs. The unit cost of tea rose from 1.324 to Rs 1.359 per lb, while the average gross return rose by a slightly smaller extent from Rs 2.336 to Rs 2.360 per lb. The coffee crop was higher at 1,363 tonnes against 907 tonnes, and this was valued at

Rs 1.90 per point. In view of the heavy bearing in 1960-61 and the adverse weather conditions since experienced, the crop yield in the current year will be appreciably lower. The acreage under cardamom was reduced substantially, but increased attention in selected areas resulted in an almost two-fold increase in crop from 9,812 lbs to 18,354 lbs.

The company's financial position is quite impressive. The fixed assets, of the value of Rs 5.97 crores, have been written down to Rs 3.08 crores. Buildings, machinery, etc., under erection, stand at Rs 7.63 lakhs. The current assets, amounting to Rs 4.99 crores, exceed the current liabilities and loans, at Rs 3.06 crores, by a large margin. The net assets are worth Rs 5.09 crores represented by a paid-up capital of Rs 1.35 crores and reserves and surplus of Rs 3.74 crores.



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CURRENT STATISTICS

BANKING RETURNS (Rs crores)				
Reserve Bank	Oct 27	Oct 20	Sept 29	Oct 28 '60
1 Note circulation	1882.25	1903.90	1857.24	1794.18
2 Rupee coin	127.25	125.94	128.61	130.60
3 Deposits	318.03	309.80	307.12	283.22
(a) Central Govt	64.75	49.92	59.46	65.36
(b) Other Govts	20.33	28.60	22.49	24.25
(c) Banks	86.37	84.49	78.47	100.56
(d) Others	146.55	146.79	146.69	93.06
4 Foreign securities	116.86	116.86	116.86	123.01
5 Balance abroad	28.33	28.27	12.87	17.94
6 Rupee securities	1558.86	1558.86	1528.80	1451.99
7 Investments	200.81	201.03	231.24	243.46
8 Loans and advances to Govts	62.38	59.45	49.36	28.40
9 Other loans and advances	129.53	135.93	133.33	115.87
Scheduled Banks	Oct 20	Oct 13	Sept 22	Oct 21 '60
1 Aggregate liabilities	1878.31	1871.71	1872.32	1900.25
2 Aggregate deposits (net)	1799.08	1792.47	1796.52	—
Demand (net)	723.47	718.97	718.75	769.16*
Time (net)	1075.61	1073.50	1077.77	1131.09†
3 Cash in hand	52.62	45.38	44.49	48.17
4 Balance with Reserve Bank	76.46	77.17	77.41	99.41
5 (3) + (4) as % of (1)	6.87	6.55	6.51	7.77
6 Borrowings from Reserve Bank	12.84	14.09	15.62	32.70
(a) Against usance bills and/or promissory notes	7.20	6.91	9.51	9.43
(b) Others	5.65	7.18	6.12	23.27
7 Advances	1053.45	1057.13	1060.89	964.28
(a) State Bank	232.94	234.12	231.10	205.99
(b) Others	820.51	823.01	829.79	758.29
8 Bill discounted	132.73	130.71	117.49	101.77
(a) Inland	46.38	46.99	45.70	50.22
(b) Foreign	179.11	177.70	163.19	151.99
(c) Total	179.11	177.70	163.19	151.99
(i) State Bank	11.76	10.76	11.59	10.22
(ii) Others	167.35	166.94	151.60	141.77
9 (7) + (8c) as % of (1)	65.62	65.97	65.38	58.74
10 Investments in Govt securities	612.89	611.63	607.28	696.78
(a) State Bank	257.34	249.31	250.27	340.38
(b) Others	355.55	362.32	357.01	356.40
(10) as % of (1)	32.63	32.68	32.43	36.67
Cheque clearance	145.56	212.88	229.50	149.21
* 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 cent per annum)				
(Selected Scheduled Banks other than the State Bank)	Oct 20	Oct 13	Sept 22	Oct 21 '60
Call Money from banks	3.94	4.50	4.81	4.25
Deposits:				
Seven days	3.00	3.00	3.00	2.00
Three months	—	—	—	3.50
Six months	3.75	3.75	3.75	3.50

Bombay Bullion (Rs and nP)				
	Nov 2	Oct 26	Oct 5	Nov 3 '60
Gold (per 10 grams)				
Spot	122.75	124.75	124.25	115.30
Forward	124.20	124.95	125.20	116.55
Silver (per kilogram)				
Spot	206.70	203.70	205.10	195.30
Forward	208.10	207.85	206.35	196.90

INDEX NUMBER OF INDUSTRIAL PRODUCTION (Base: 1951 = 100)				
Industry	June 1961	May 1961	April 1961	June 1960
Mining and quarrying	154.1	168.6	166.3	153.6
Coal	144.0	158.3	156.3	144.8
Iron ore	298.9	315.8	308.3	278.2
Manufacturing	171.0	167.7	182.8	159.2
Sugar	45.7	82.3	441.6	3.1
Tea	159.5	93.3	64.1	151.7
Vegetable oil products	189.6	189.6	205.6	184.8
Cigarettes	195.3	200.7	200.9	178.0
Textiles	112.9	115.1	114.1	119.0
Cotton	117.9	115.3	113.8	115.7
Jute	97.7	114.2	114.7	128.9
Footwear	226.9	164.4	170.1	191.0
Paper and paper boards	258.1	275.7	264.3	249.1
Rubber products	261.5	224.1	202.2	236.7
Tyres	278.3	240.3	262.1	250.7
Tubes	266.8	238.9	271.1	258.8
Chemicals and chemical products	287.2	277.8	268.6	245.0
Sulphuric acid	375.5	364.5	359.0	333.1
Caustic Soda	801.0	769.8	778.5	606.9
Soda ash	368.0	384.3	358.0	215.9
Super phosphates	580.6	638.7	638.7	503.9
Ammonium sulphates	784.4	672.3	648.1	700.4
Paints and varnishes	190.4	162.2	156.9	156.5
Soap	172.7	169.9	184.0	160.8
Rayon	993.1	997.1	899.4	858.4
Non-metallic mineral products (except petroleum and coal)	221.0	253.5	251.5	243.2
Glass and glassware	203.2	205.2	221.6	183.7
Cement	237.1	261.3	253.2	237.4
Ceramics	172.5	271.3	273.1	—
Basic metal industries	228.4	226.2	259.3	195.3
Iron and steel	251.2	240.7	284.9	185.0
Pig iron and ferro-alloys	259.7	268.8	274.9	196.9
Finished steel	247.9	229.5	288.9	180.3
Non-ferrous metals	237.1	280.0	287.8	345.2
Aluminium	440.2	408.4	463.8	478.7
Gold	70.4	62.5	57.6	65.8
Metal products (except machinery and transport equipment)	391.7	362.9	313.7	337.1
Machinery (except electrical machines)	606.2	544.1	550.1	534.8
Deisel engines	597.4	550.5	614.6	612.1
Power-driven pumps	300.0	285.3	285.3	223.5
Sewing machines	736.4	664.2	644.4	629.8
Machine tools	1599.1	1095.4	917.2	1075.5
Electrical machinery	144.1	422.9	411.6	362.6
Conduit pipes	348.1	349.0	349.2	107.2
Electric motors	581.5	552.1	569.7	453.8
Power transformers	847.2	773.0	862.6	585.9
Electric lamps	308.5	298.0	288.3	253.8
Electric fans	554.2	528.2	532.2	394.4
Radio receivers	435.5	369.6	355.7	326.6
Transport equipment	291.9	308.0	307.9	275.1
Automobiles	241.1	254.3	258.4	234.7
Bicycles	886.5	936.8	888.0	747.7
Electricity generated	327.7	330.4	318.8	282.6
GENERAL INDEX				
Crude	173.2	171.3	184.6	161.4
Seasonally adjusted	179.4	171.6	185.4	167.2
Source: Department of Commercial Intelligence and Statistics, Government of India, Calcutta.				

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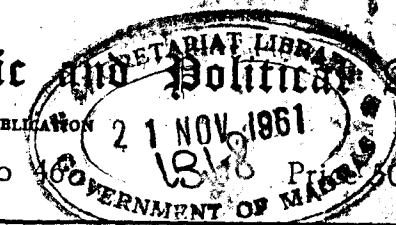
The Economic Weekly

A Journal of Current Economic and Political Affairs

November 18, 1961

THIRTEENTH YEAR OF PUBLICATION

Volume XIII No 46 Naye Paise



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Improved Image

PANDIT NEHRU'S visit to the United States was preceded by a tirade against India in the American press. While he was there, the encomium and the applause he received from the press and the public was fulsome, the lead having been given by President Kennedy himself. Now that the tumult and shouting has died down, what is the impress left by him which may endure? The communiques issued after the visit of a foreign dignitary are rarely very informative. The one issued on this occasion is no exception. Apart from generalities, all that one may perhaps read into it is a greater responsibility to be assumed by India in helping to make and keep Laos neutral and free, as also American neutrality in the matter of Indo-Pakistan relations. It is difficult to understand what the latter might mean, unless America is prepared to begin to disengage herself — which she has no intention of doing — from the commitments which conflict so violently with India's stand on neutrality and non-alignment.

The time when Nehru used to be accused in the U S of being more neutral against some than against others is long past. It is now forgotten history, and there is greater appreciation of his stand on neutrality or rather non-alignment. Even so, in foreign politics there are no permanent friends or permanent enemies. Was there an attempt to capitalise on Indo-Chinese differences which are by now fairly old, or India's fall from grace in the eyes of some of the Afro-Asian nations which came to light at the Little Summit in Belgrade not so long ago?

The press reports are not illuminating on any of these points. But there is evidence in plenty that the understanding of all that India stands for and the appreciation of Pandit Nehru have gone up by a big jump. It is not his television presence or great personal charm alone which helped it. It was his complete self-assurance, clarity and strength of conviction, which impressed the American people. The Americans, chastened by reverses, were in a better mood to listen. They have been much more receptive to Nehru than at the time of any of his previous visits. There was no talk of Kennedy putting him on the carpet and making him retract whatever Menon might have said, on the threat of withdrawing America's promised economic aid.

But will this improved image of India help the United States to appreciate the need for a relaxation of her attitudes, which have so belied the earlier promise of the opening of a new frontier and sunk into that of seeking for positions of strength in countries and among people which are breaking out from old bonds and striving hopefully for a new life and a breath of fresh air? The possible impact of Nehru's visit on Kennedy or his Administration does not, however, depend on the latter alone. Kennedy has not yet the stature of Roosevelt to lead and to carry his people with him. He is too much tied down by a Congress, which does not share his ideas or enthusiasm; and, to carry the people with him, he has to re-educate them and make them break away from the groove in which the earlier Administration had confined them. In that task, perhaps, Nehru's visit might help.

THE ECONOMIC WEEKLY
Telephone : 253406
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A Damning Report

THE report of the United Nations Commission—composed of the representatives of Burma, Mexico, Ethiopia and Togo—which was appointed earlier this year to investigate the murder of the former Congolese Premier, Mr. Patrice Lumumba and his two principal associates, Mr. Okito and Mr. Mpolo, is a remarkable document deserving the widest publicity. The report highlights one of the methods by which the colonialists are seeking to continue their stranglehold over the emerging nations in the second largest continent of the world. Nobody had believed, nor was anybody expected to believe, the story dished out in February of this year that Mr. Lumumba and his aides had been killed in the process of their attempted escape. Within a few days of the murder the broad facts were established beyond any shadow of doubt. It was evident that Premier Lumumba had fallen a victim to the machinations of the Western Powers in the Congo, who had all along backed the secessionists in Katanga against the Central Government in Leopoldville and had encouraged and helped the capitulationists in Leopoldville headed by the Mobutu-Kasavubu clique against the nationalists in the Central Government headed by Mr. Lumumba. To these elements no means were too dirty so long as they were calculated to lead to the ouster of Lumumba and his friends. This was achieved in a characteristic *coup d'état* led by Col (now General) Mobutu, who was directed and financed by the Western Powers and—if only for a brief spell—by the representatives of the United Nations in the Congo as well.

While the UN report has brought to light no new facts about the circumstances of Mr. Lumumba's murder, it provides the explanation for the continued failure to restore peace and unity in that unfortunate country. Thus it also exposes the inadequacies and half-heartedness of the measures that have so far been taken by the United Nations, on which the primary responsibility for the restoration of law and order in the Congo now vests. Unlike some of the earlier UN pronouncements on events in

the Congo, the report is candid and does not mince words in fixing the responsibility—at least of the Congolese participants—for one of the most heinous political murders in history. Besides indicting the Tshombe-Muonongo gang of Katanga, which is still in office propped by the finances of the Belgium-owned *Union Minière* and the political support of the British and some other European Governments, it has squarely defined President Kasavubu's share of the crime and has demanded that he and his aides "should not escape the responsibility for the death of Mr. Lumumba, Mr. Okito and Mr. Mpolo".

The Commission confirms that President Kasavubu and his aides had handed over the Premier and his colleagues to the Tshombe clique. To quote from the report, "knowing full well, in doing so, that they were throwing them into the hands of their bitterest political enemies The Government of the Province of Katanga in turn not only failed to safeguard the lives of the three prisoners, but also had by its action, contributed . . . to the murder of the prisoners. The record of the Commission's work bristles with evidence indicative of the extensive role played by Mr. Muonongo, the Katanga Minister of the Interior, in the entire plot leading to the murder of Mr. Lumumba, Mr. Okito and Mr. Mpolo".

In so far as Tshombe's role as a betrayer of national interest was never in question ever since the Congolese crisis burst into the open, a greater attention is claimed by that part of the Commission's report which unmasks the perfidious duplicity of the Kasavubu-clique which did not allow, despite earlier assurances, the UN Conciliation Commission or the representatives of the International Red Cross to visit Mr. Lumumba in prison. The Commission described as "significant" the fact that the alleged escape of Mr. Lumumba and his two fellow prisoners had been made public on the very day on which President Kasavubu had promised to inform the UN Conciliation Commission of the date on which it could see the prisoners.

The findings of the report have wider international significance. Now that the guilty have been named by an independent international body, what steps are the United Nations going to take to bring the guilty men and their patrons to book?

Aviation Policy Reversed?

THE decision to nationalise the air services taken some years ago was as much ideological as pragmatic. Apart from ideology, the decision was also forced on the Government by the tremendous imbalance in the economics of the air services at the time. A few of the services were paying; most were not. Many of the companies had started with small initial capital and with second-hand Dakota planes bought from Army Disposals, and they had not been earning even the depreciation on their old aircraft, not to speak of being able to build up reserves to replace them by more efficient up-to-date aeroplanes. The Government was interested in maintaining a reasonably efficient service connecting all the important towns and cities, and this meant that some of the routes would not pay. The Air Transport Licensing Board had not succeeded in allotting the routes in a manner which could bring some order out of this chaos.

The nationalisation decree wiped out all the airlines—those which could not run the services allotted to them at a profit, as also a few others which perhaps could. Among the casualties were the two Calcutta operators, the enterprising Airways (India) which was meeting and thriving on the keenly-felt demand for air transportation to Assam, and the colourful, for a different reason, Kalinga Airlines.

The Indian Airlines supplied what the Government wanted—a network of services to meet the essential needs of air transportation; and in the eight years of its existence, it has constantly expanded its field of operations. All these years, private operators have been debarred from running scheduled flights. There are still some of them struggling and trying to survive by running chartered flights. Though the Indian Airlines have vastly expanded, one

cannot still claim that all the stations in India which need a regular air service have been adequately covered.

The nationalisation of air services was an important, almost a solemn decision, in consonance with the Government's Industrial Policy statement and the basic aim of socialisation to which the Government is committed. The Industrial Policy statement, however covers a lot of things. In fact, it has room for marginal adjustments and, under the pressure of necessity, some minor adjustments have been made which, it has been explained, do not compromise the principle. The policy of nationalisation of airlines does not admit of any such modification, nor even of minor adjustments. Had it not been so, then, at the time when Indian Airlines Corporation was set up, exceptions would and should have been made for the airlines then in operation which were running successfully at the time, the most outstanding of which was Airways (India).

In the circumstances, the permission given behind the scenes, to Kalinga Airways to run a daily service from Bombay to Baroda comes as a surprise. There is no question that Baroda needs a regular air service. But to allow a private operator to come on the scene after eight years of rigid prohibition of any such service is not a minor deviation or adjustment, but a scandalous discrimination against the others and an abandonment of the principle, by which the Government has sworn all these years. That the exception has been made for Kalinga Airways, behind which is the colourful figure of Shri Bijoyananda Patnaik, makes it all the more intriguing. The adventurous aviator, who came into prominence in the days of the August Movement, has since appeared as a meteor on the political firmament, with his sensational success in Orissa elections. The compromise with the policy of nationalisation made by the permission given to the Kalinga Airways is, therefore doubly damned, because of its obvious political implications. It does not help to improve the morale of the people, when such rank political favouritism is blessed by political bigwigs—as in the public celebrations to inaugurate the service in Bombay and Baroda.

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Weekly Notes

Power Shortage in Bombay

THE power shortage which threatens Bombay and to meet which a staggering of weekly holidays for industry is being considered, is not the type of shortage which has become familiar all over the country. It has not arisen because industrial demand for power has exceeded the available supply. That kind of shortage remains and will continue. The pressing need for economising power consumption by staggering of holidays in industry has arisen because the progress of the Koyna project has not gone on according to schedule. The supply and demand for power has been very precariously balanced and had the first Koyna unit of 60 mW been commissioned at the end of this year, as scheduled, a break in supplies could have been avoided. There is going to be a break because one of the Tata thermal units in Trombay, producing 62.5 mW, will go out of action from January to March for routine overhaul and for some necessary modifications. Had the first Koyna unit been commissioned on time, it could have taken the place of this thermal unit. The supply would not then have been interrupted and the precarious balance could have been maintained.

The delay in the commissioning of the Koyna unit has already put pressure on power supply in the Bombay area, making some scheme of staggering both unavoidable and imperative. The staggering has to be made effective by the end of the year so that the thermal unit in Trombay can be laid off for overhaul as planned. The first Koyna unit is now expected to be commissioned early next year, but early next year may turn out to be no earlier than April and if the second unit does not start working fairly early in the summer, apart from the pressure on supply and the inconvenience of staggering, there is bound to be a sizeable social loss. This will arise from the non-utilisation of the water held up in the Koyna dam. The water dammed up at a huge cost has to be utilised before the monsoon or else it will run waste.

Industrial Estates and Dispersal

THE Madras Seminar on Industrial Estates in the ECAFE region held under the auspices of the United Nations helped to focus attention on a subject on which India has very wide experience and perhaps some worthwhile lessons to offer. From the press reports of the proceedings of the seminar, however, it is not quite clear whether the Indian experience in this field was presented properly and whether the participants from many countries took proper heed of the lessons of the Indian experience. The seminar recognised that in order to promote large-scale industries, it was not necessary for public authorities to provide the services and assistance usually extended to small-scale industries in the Industrial Estates. This is pretty obvious and will be generally accepted. The usefulness of the Industrial Estates for helping the development of small-scale industries is not in question. But doubts arise about the proper understanding of the role of Industrial Estates, and that of small-scale industries, when Industrial Estates are expected to perform what they are not capable of performing, viz. taking industries to rural areas.

The Indian experience should be an eye-opener to others. The locational pattern of the Estates set up in this country until recently belie the expectation that setting up of Industrial Estates can secure the decentralisation of industries in the sense of spatial dispersal. The seminar does not seem to have fully appreciated the lessons of Indian experience, judging from the following excerpt from the press report of the concluding session:

"The seminar recognised the importance and usefulness of Industrial Estates in rural areas, but recommended that, in view of the comparative shortage of basic facilities, it would be prudent to adopt a selective approach in that field."

The selective approach referred to obviously means that the Industrial Estates will have to be located according to the proximity to markets, nearness to equipment and machi-

nery for repairing and service workshops, availability of technical know-how and skilled workers, and essential facilities like transport, water, power, etc. This means location of small-scale units also in cities and towns and, therefore, no dispersal of industries to the rural areas. Until recently, the Industrial Estates in India were all urban Estates. Has there been any change of late? A proper assessment should be now overdue.

Finance for Cooperatives

DO the Planning Commission and the Reserve Bank speak with two voices on the important question of providing resources for the development of the cooperative movement? The Third Plan, after discussing the "significant" role of the Reserve Bank in financing the cooperative movement in the first two Plans, states that "in keeping with the growing requirements of the economy and agricultural objectives and credit needs of the Third Plan, the Reserve Bank will be called upon to play an *even larger role*" (italics ours). Against this, in a study prepared by the Reserve Bank's Rural Economics Division published in the latest issue of the Bank's *Bulletin*, it is stated that "considering the large demand for cooperative credit in the context of the cooperative development scheme envisaged in the Third Five Year Plan, and the fact that these institutions (State and central cooperative banks) are bound to be called upon to expand considerably their lending operations, it is imperative that they strengthen their deposits position".

The overwhelming dependence of the cooperative movement on the Government and the Reserve Bank is amply clear from the 'Statistical Statements Relating to the Cooperative Movement' published annually by the Reserve Bank. This is also what has been highlighted in the study mentioned above. Thus, it is pointed out, the proportion of deposits to total working capital of State cooperative banks declined from about 58 per cent in 1951-52 to 34 per cent in 1959-60 and,

correspondingly, that of borrowings rose from 31 per cent to 54 per cent. Similarly, in the case of central cooperative banks, the proportion of deposits declined from 64 per cent to 39 per cent and that of borrowings rose from 20 per cent to 45 per cent. As much as 90 per cent of the State and central banks' borrowings were from the Reserve Bank in 1959-60.

In a sense, this should not cause much surprise since the increasing dependence of cooperatives on Reserve Bank finance is the result of deliberate policy. What is disquieting, however, is that, as the Reserve Bank's study points out, "consistently with the larger availability of funds from the Reserve Bank at concessional rates of interest there has been no sizeable improvement in efforts by cooperative banks in tapping local resources". The difference in emphasis in the approaches of the Planning Commission and the Reserve Bank to the question of financing the cooperative movement in the Third Plan is, therefore, more formal than real. For, the tendency, pointed out in the Reserve Bank study, on the part of cooperatives to neglect local resources because of easily available Reserve Bank credit is one which no one, and certainly not the Planning Commission, can view with equanimity. In fact, the Third Plan envisages a large increase in the internal resources of the cooperative movement. Thus, the share capital of primary cooperatives (excluding the contribution of the State Governments) is expected to increase from about Rs 42 crores in 1959-60 to Rs 85 crores, that of the central cooperative banks from Rs 23 crores to Rs 62 crores and that of the State cooperative banks from Rs 9 crores to about Rs 33 crores. It is also expected that between 1959-60 and 1965-66, deposits of primary cooperative societies would increase from Rs 12 crores to about Rs 42 crores, of central banks from Rs 95 crores to about Rs 212 crores and of State banks from Rs 60 crores to Rs 142 crores.

However, even if the targets set for raising the quantum of share capital and deposits are achieved, the cooperative movement will still have to depend substantially on

borrowings, mainly from the Reserve Bank to fulfil the target of Rs 530 crores of short and medium term credit and Rs 150 crores of long term credit set for 1965-66. This dependence is inevitable but the time to take notice is when borrowing from the Reserve Bank tends to take the place of resources which the cooperatives may reasonably be expected to raise on their own.

A glance at the interest rates offered by the State and central cooperative banks on deposits makes it clear that certain special measures may be necessary to secure even a modest increase in deposits. One suggestion that has been made is that local bodies and semi-public corporations should compulsorily deposit their surplus funds in the cooperative banks. Thus the Cooperative Department of the Maharashtra Government has specially requested all local bodies to deposit their funds with cooperative banks. It has also been decided that the Maharashtra State Cooperative Bank and its affiliated central banks will provide all banking facilities to the State Transport Corporation throughout the State. Similarly, the Refinance Corporation for Industries will extend the facility of reimbursement for all medium term loans advanced by the Bank. Cooperative banks in other States should be encouraged to work out similar arrangements with local bodies and public corporations.

ENI in UAR

THE oil exploration agreement between the UAR Government and the *Ente Nazionale Idrocarburi* (ENI) marks an important expansion in the activities of the Italian state-owned oil corporation in the Middle-East. According to the agreement, the Oriental Petroleum Company, in which the ENI has a majority holding and the UAR Government a minority interest, will extend its operations to two new areas in the Nile delta and the Red Sea offshore region, where the Government has high hopes of finding oil. Profits from the oil discovered will be shared between Oriental Petroleum and the Government in the proportion of 1:3. While the more advantageous terms offered by ENI have led the UAR Government to award to it the exploring

rights in preference to other companies which had put up bids, the ENI's highly successful record of exploration in the Belayim region must also have influenced the Government's decision.

Oriental Petroleum is the most important producing company in the UAR and has been chiefly responsible for raising Egypt's oil production to 3.4 million tons in 1960. Most of the increase in production in recent years has come from the Belayim field of Oriental Petroleum. Belayim was discovered only half a decade ago but is now the most important oil-field in the country and produced 1.8 million tons in 1960. The output of the Belayim field is expected to be doubled when fresh strata are brought into production through desalting operations. The Belayim field extends over 40,000 square kilometres and its reserves are conservatively estimated at 300 million tons. Oriental Petroleum has two other smaller fields, both in Sinai. It has also been carrying out further exploration in Sinai and in the Suez offshore area.

Apart from Oriental Petroleum, the only agency engaged in exploration is the wholly State-owned General Petroleum Company, which now has three small fields, two of which started production in 1959. Though the output from the State-owned fields is rising rapidly, it constitutes only a small part of the country's total production.

In the field of production Oriental Petroleum's main rivals are Anglo-Egyptian Oilfields, in which Shell and BP own two-thirds of the shares between them, and Mobil of Egypt. The two companies had a combined output of 1.2 million tons last year. Their production, however, has been declining during the last few years and they have not been able to secure any concessions for exploring in new areas.

Oriental Petroleum takes no part in refining. Part of the oil produced by the company is refined in the Anglo-Egyptian Oilfields' refinery, the largest in the country, through the General Petroleum Authority which is roughly the Egyptian equivalent of our Oil and Natural Gas Commission. Because of the decline in Anglo-Egyptian Oilfields' and Mobil's own production, an increasing proportion of the crude

refined at AEO's refinery, which had a throughput of 3 million tons in 1960, is on behalf of the General Petroleum Authority. Besides the oil produced by Oriental Petroleum, the crude refined on behalf of the GPA at AEO's refinery includes imported crude and crude which the UAR Government has been receiving from the oil companies in lieu of royalty since 1958.

The ENI is keenly interested in exporting crude oil to Italy. Thus, about a million tons of oil produced by Oriental Petroleum were exported to Italy in 1959. This is partly because Italy's domestic production of petroleum is inadequate and partly because the high sulphur content of the oil produced in the Belayim field renders it unsuitable for refining in the Egyptian refineries. It is understood that part of the oil likely to be discovered in the new fields covered by the recent agreement will also be exported to Italy, though how much is not yet known. In the UAR, the demand for oil products is rising rapidly. Besides, refining capacity in the country has always been considerably in excess of local crude production. For these reasons, the UAR imported 1.5 million tons of crude and 1.1 million tons of products in 1959. It is natural, therefore, that the UAR should wish to retain the domestically produced crude for refining in the country.

No Room for Immigrants?

Our London Correspondent writes:

ONE of the most controversial pieces of legislation in recent years is the bill to impose restriction on Commonwealth immigration. Despite the legal verbiage with which this bill has been clothed, there is little doubt that whatever its declared intentions may be, it is in essence a bill that will weigh more heavily on coloured immigrants, for the simple reason that the bulk of immigrants happen to be coloured. The mainspring behind this bill is racial emotions and the anti-colour group inside the Conservative Party, associated with such names as Mr. Norman Pannell, Sir Cyril Osborne and others, whose battle cry has been: "Do you want to see Britain go Black?" Britain is now finding it difficult to face up to the colour problem; is this then another step towards the disintegra-

tion of the Commonwealth? It seems obvious that this bill will heighten the distrust of Britain's policy in the main Commonwealth countries affected.

Pandit Nehru, questioned about the bill at London airport on his arrival, said that he thought it was rather unfortunate that this kind of thing should be pursued now. Dr. Cheddi Jagan was more outspoken and said that "the new bill can only be interpreted as a colour bar... and strikes at the very root of Commonwealth solidarity". Sir Grantley Adams, the West Indian Federal Prime Minister, has also come out sharply against the bill, saying that despite pious assurances to the contrary, it will in fact operate on a basis of race and colour. "It is doubtful whether the Commonwealth can survive the repercussions which must follow. One thing is certain; it will never be the same again. Restriction will cause economic chaos in the West Indies; the territories may fall a ready prey to doctrines foreign to the democratic principles to which Britain subscribes", he said. The more liberal press in Britain has attacked the bill, tracing its genesis to the spectre of racial emotion,

which lies behind, and pointing out that restraint on Commonwealth immigration would not have been demanded so vehemently, had the inflow been mostly of Canadians or of Australians, instead of West Indians, Indians and Pakistanis.

The real problem involved in the influx of immigrants, it has also been maintained, is not so much a question of jobs, but of homes. In the U.K., the house-building rate of some 300,000 homes a year is barely enough to remove the slums, re-house the slum-dwellers and provide for the natural increase of the population. There is, therefore, nothing to spare for the immigrants who are now coming at the rate of about 4,000 a week. Many papers, however, have pointed out that Commonwealth immigration works both ways. The immigrants provide a large reserve of new urban labour ready to take lower paid or less agreeable jobs and therefore, help a swift increase in the living standards of the majority. The prosperity of the average British wage-earner since the war has been built partly on the labour of the West Indian, Irish, Cypriot and other immigrants.



Capital View

Alliances at Home and Abroad

Romesh Thapar

WITH the Prime Minister away, it is customary for Delhi to go to sleep or to hibernate. On this occasion, however, there has been plenty of activity — at least, for those who matter in the capital. First, there was Keskar's annual Sangeet Sammelan and then, following close upon it, an international seminar on Tagore's influence on modern literature. And now the Industrial Fair. Punctuating these events was intense discussion on the Nehru-Kennedy confabulations. Apparently, the Sangeet Sammelan rounded up so many young, inexperienced performers that the 'event' was somewhat derailed. As for the Tagore seminar, this too got lost in clichés. And the Industrial Fair — well, it has been opened although it is not ready! So, let us concentrate on the speculation let loose on the Nehru-Kennedy confabulations and other related matters.

Even though the 'national dailies' and their special representatives have been busy seeing all kinds of 'turning points' in the international situation now that Nehru and Kennedy are beginning to 'understand each other', it is almost impossible to get a positive or negative murmur out of any of the External Affairs officials. This refusal of officialdom to commit itself privately is significant when contrasted with the 'optimism' which prevails in those ministries concerned with the problems of dollar aid and economic development. That the Prime Minister has been persuaded to become less active in foreign affairs — at least, until the dollar aid position clears somewhat — is fairly obvious but it is equally true that he cannot help but be active. The silence at External Affairs is a kind of wait-and-see performance.

There is nothing to suggest anything like a 'turning point' in Indian foreign policy; the Prime Minister is too sophisticated. Indeed, it appears that he has done in the USA what he did earlier in Moscow after the Neutral Summit at Belgrade — attempt to explain Khrush-

chev to Kennedy as he did Kennedy to Khrushchev. To cynical, committed observers, this may seem a rather pathetic role. But not so to those who realise that today, more than ever before, a bridge of understanding has to be built between these two who, even though poles apart in thinking and perspective, are anxious to evolve a working arrangement which will neutralise the nuclear stock-piles.

There is some anxiety about the provocative behaviour of the lunatic fringe of the US press. It is argued that the performance of these newspapers prior to Nehru's arrival in the USA, and the fatuous attempt to get the Prime Minister to dissociate himself from the 'doings' of Krishna Menon, could well have pushed India to a position where she would herself have had to do some not-too-pleasant plain-speaking.

The argument that all this is due to Krishna Menon's 'doings' or to the nature of the Belgrade Conference is generally accepted in certain official quarters, but more sober elements believe that an active Pakistan lobby is at work. The assumption is that growing understanding between a Nehru and a Kennedy can only result in the weakening of US-Pakistan relations. There is, possibly, some substance in this reasoning. A pointer: The character of these anti-Indian campaigners is evident even from the fact that a Pakistani camel driver, Bashir, became their hero for ten days!

In this context, it is amusing to note the satisfaction expressed in Delhi over the decision of Mrs. Kennedy to change the timing of her visit to this part of the world in order to be present at our Republic Day festivities. After all, it was President Ayub who first invited her — and she was due to arrive at the end of this month. Nehru, it is said, turned the tables on Ayub! And it is surprising that this too has not become the subject of criticism and anger in the rabid sections of the US press.

Akali Manoeuvrings

Back home, the Akalis, learning from the Prime Minister, have been doing a bit of skilful manoeuvring themselves. The promised commission of inquiry is under attack and report has it that the proceedings will be boycotted by the followers of Master Tara Singh. Of course, there is no justification for the boycott, but it is good politics. Having lost the 'battle of the fast', the Akalis cannot afford now to get absorbed in hair-splitting arguments about whether a Punjabi Suba is essential to the basic interests of the Sikh community. With the elections approaching, a boycott campaign mounted against the commission would maintain tension and controversy and so prevent fluid voters from moving Congress-wards. If this does not work, the more desperate and bitter Akalis are prepared to arrive at electoral alliances with the 'right' and 'left' to do the Congress down. Discussions along these lines are already beyond the purely speculative stage.

The news that the Ganatantra Parishad in Orissa is going to merge with the Swatantra Party has not been without its repercussions in the Punjab. Increasingly, regional groups, such as the Ganatantra Parishad and the Akalis, are toying with the idea that their future lies in alliances with All-India organisations. A community-based party like the Akalis, however, embracing many shades of rightist and leftist ideology, cannot quite agree on what kind of alliance it is to be — Swatantra or Socialist or Communist. The Ganatantra Parishad, with clear-cut economic and political attitudes, has no such problem to face. Not without reason, the Akali theoreticians urge a flexible constituency-by-constituency approach in alliances — that is, where the Akalis cannot do the job going it alone.

Communists Going It Alone

Going it alone — this is being elevated into a crucial tactical issue within the Communist Party, as it

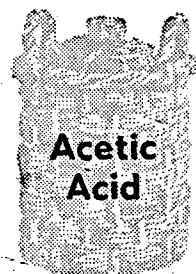
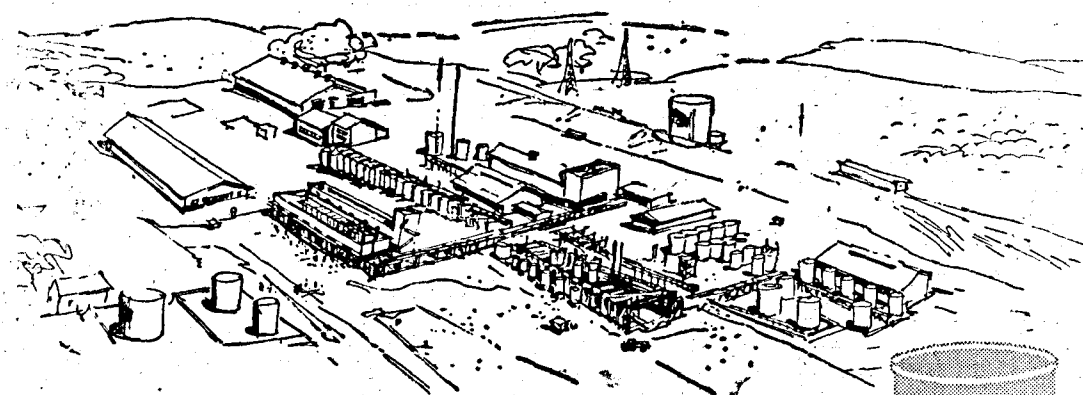
prepares to plunge itself into the election battle. The plunge has been delayed by the controversy over Stalinism and anti-Stalinism sparked off by the Moscow conference. The removal of Stalin's body from its glass container has been the last straw for many — and a much divided party is further ridden with dissensions. The top leadership of the CPI is unperturbed, however, and hopes to make a good showing at the polls. An over-all vote of

25,000,000 is expected in certain quarters, with anything between 35 — 38 seats in Parliament. And if the PSP breaks the governing alliance in Kerala, even bigger results are expected.

But, and this is the interesting point, those who expect these results also urge the 'go it alone' tactic. Then, it is argued, there will be no confusion over opportunist alliances, party cadres will

mobilise easily and national discontent will do the rest. It is nevertheless, unlikely that any such clarity will strengthen the rather splintered and brittle organisation of the party now weathering the storms generated by the Moscow conference. And, what's more, is there national discontent anywhere on such a scale as to dislodge the Congress? Is it not a product of the wishful thinking of oppositional parties?

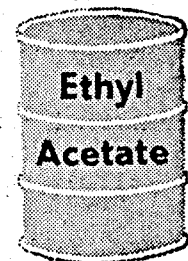
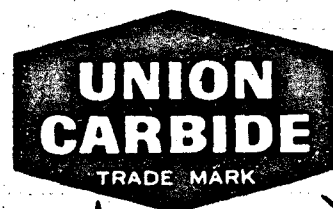
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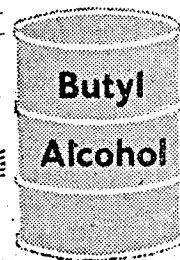
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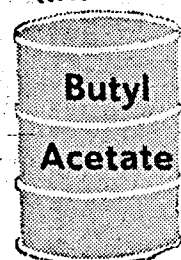
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From the London End

European Political Unity

THE political implications of the Common Market grow clearer each day. While Mr Heath returned to London last week after discussions with the 'Six'—principally on the Commonwealth's relationship with the Common Market—Britain's application to join the Common Market has raised grave difficulties for the Committee which has been appointed to study the political unity of the 'Six'. The Committee, named after its Chairman, Mr Christian Fouchet, has been working on proposals for European political unity at the request of the summit meeting of the 'Six' held in Bonn last July. The main problem seems to be whether, at this stage, Britain should be brought into these talks.

While the treaty which may finally give shape to such unity must be a high-level secret, it is understood nevertheless that the proposals aim at a unification not only of the defence policies of the 'Six', but also of their foreign policies. This would be ensured by means of frequent consultation and through meetings of the Foreign and Defence Ministers to take place at least bi-annually. Binding decisions, however, would be taken only by a unanimous vote. The French view is that the 'Six' should go ahead and sign a political treaty before Britain signs the Rome Treaty and qualifies to join the political talks. The West Germans, keen to get Western European support on such matters as the Berlin issue, are equally anxious that there should be no delay in signing a political treaty. On the other hand, Belgium and Holland are arguing that Britain, which is almost certain to become a member of the Common Market, should be allowed to come in on the political talks now. The Italians believe that it would be quite improper for Britain to join the political unity talks until she has signed the Rome Treaty, but are prepared to postpone the signing of the political treaty until Britain has become a member of the Common Market.

The French cynically contend that British reaction to any political treaty will be more favourable if they are presented with a fait ac-

compl. They refer to British dilatoriness and the abortive free-trade-area proposals before circumstances forced her to apply for membership of the Common Market. The French also point out that if Britain is allowed to join the talks now, it will be extremely difficult to exclude such countries as Denmark, Norway, and Eire and if all these countries are included, political momentum will be lost.

ENI Enters British Market

The recent move of ENI to enter the British petroleum market by setting up a company called AGIP (Great Britain)—a wholly owned subsidiary of the AGIP, the marketing company of ENI—has not really come as a surprise. Britain, as the second largest consumer of motor spirit in the world, was bound to attract the Italian State-owned oil concern, whose surplus refining capacity has been rising rapidly. Italian petrol will be on sale in Britain some time next year. The object of the new company is to sell petrol and associated oil products from ENI to a series of Petrol Stations which the new company is to develop. So far, agreements have been made to purchase six petrol stations all of which are in England—the London Area, parts of the Southern Counties and the Manchester Area; but other sites are also in view.

The extent of the British market can be gauged from the fact that last year, consumption of motor spirits amounted to 2,333 million gallons which was second only to consumption in America and 40 per cent more than consumption in Western Germany, the third largest market. Retail sales to private motorists in Britain are believed to be worth about £435 million a year and are growing by about 8 per cent per annum.

ENI is not the first outsider to enter this market. Continental Oil has been looking to the UK as an outlet for its Libyan supplies and two years ago started to sell jet fuel at cut prices in stations in East Anglia. These sales, based on cheap supplies from the Continent, were intended to establish a market for Libyan oil

when the latter gets into full production next spring. Among the other independents in this market are Total which is a marketing subsidiary of the Compagnie Francaise des Petroles, and the Murphy Corporation of America.

AGIP (Great Britain) does not propose to sell cut-price petrol but will gain its markets by the service it will give at its stations. An interesting feature of this situation is whether AGIP will be selling in Britain petroleum products made from Russian crude. At present, imports of Russian oil into Britain are barred. It is known that ENI have contracted to import, during the next five years 12 million tons of Russian crude into Italy. AGIP also proposes to build its own refinery in Britain, and whether Russian crude will be used here or not is also a matter of speculation.

UK's Share of World Trade

The GATT report for 1960 on International Trade, recently published, gives a rather gloomy picture of Britain's place in World trade. While the total value of British exports rose by 54 per cent between 1948 and 1960, the exports of nine industrial Continental countries rose by 190 per cent during these years. The U K's share of World trade dropped in all major export markets, compared with the pre-war period, substantial losses being recorded in Latin America and the Overseas Sterling Area, where her share dropped from 62 per cent in 1950 to 40 per cent in 1960. The U K's share of Sterling Area imports which fell steeply and almost continuously from 1953 to 1959, fell still further to 25 per cent in 1960 so that the U K which accounted for more than one-third of the total imports entering the Area in 1953, now holds only one-quarter of that market.

The only areas in which British exports were able to hold their own were Russia, Eastern Europe, China, countries in Africa and Asia outside the Sterling Area, and overseas countries having close ties with Continental Western Europe.

Dealing with the question of prices, the report points out that in 1960, export prices of Continental countries were about 15 per cent lower than in 1949 while U K prices remained practically unchanged.

The Chancellor of the Exchequer,

however, remains optimistic. In his speech in the Commons last week, his forecasts for 1962 were distinctly rosy. "I do not accept that the danger at the moment is that we are moving into a deflationary phase. The advice given to me is that early next year there will be

strong expansionist forces at work again."

On what information this advice is based is not known. The evidence that is available, however, appears to point to some recession in trade and employment if the Government continues its present policy.

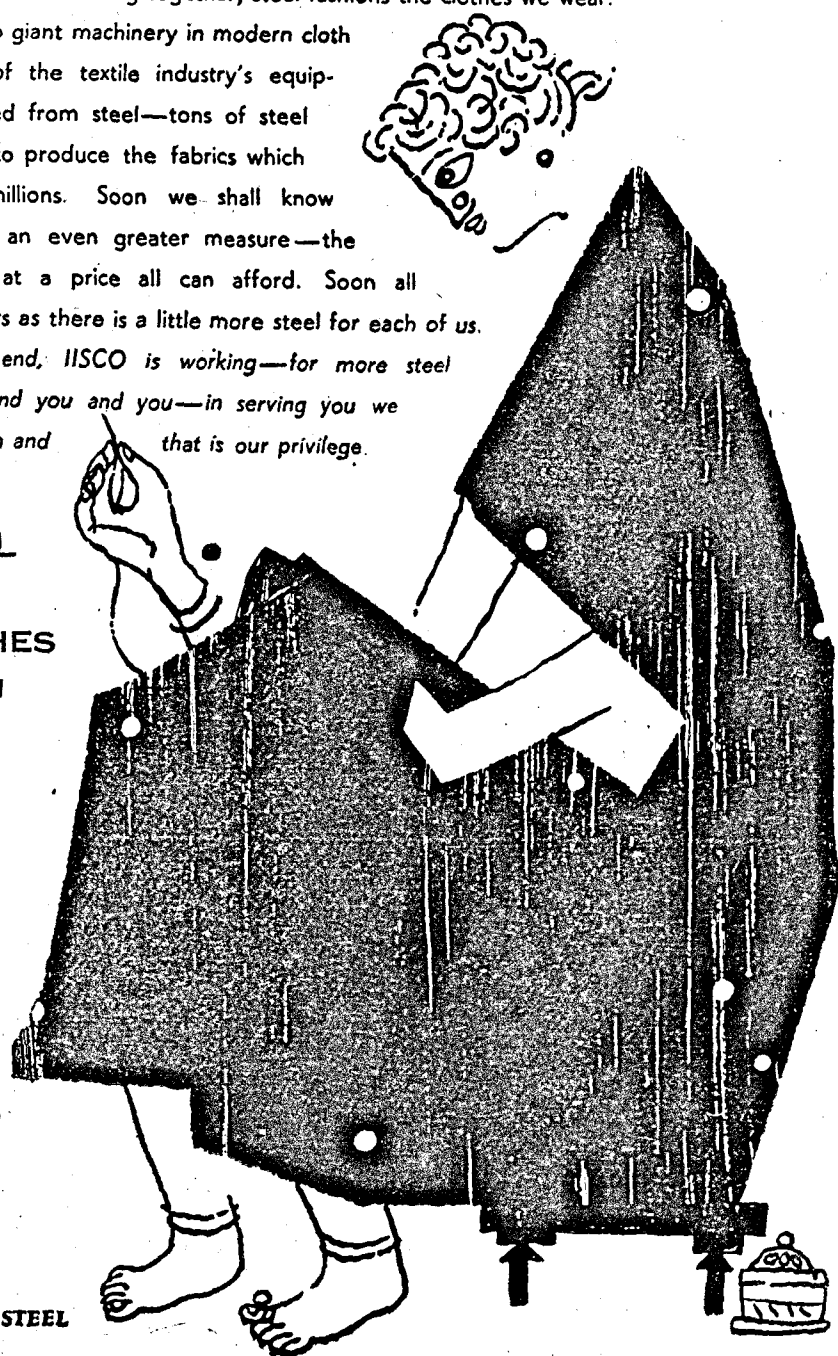
Skilled hands working with the touch of steel—steel weaving in and out of fabric, making a pattern or sewing together, steel fashions the clothes we wear.

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Letter from Japan

Joint Economic Strategy

US-Japan Conference

AT the beginning of this month, the Governments of the United States and Japan, met as a joint United States-Japan Committee on Economic and Trade Affairs. Representing the United States were Dean Rusk, Secretary of State; Stewart Udall, Secretary of the Interior; Arthur J. Goldberg, Secretary of Labour; Luther Hodges, Secretary of Commerce; and Orville L. Freeman, Secretary of Agriculture. It is proposed that this Committee meet every year alternatively in Tokyo and Washington to plan a joint economic strategy. From the American side, there has been a constant stream of reassurances that no negotiations on any specific point have been planned and that the only aim of the Conference is to enable each side to know the position of the other. From the point of view of the Japanese negotiators, however, the idea of joint planning without any positive decisions seems much less attractive than a clear definite concession made in such a way as to appear to justify this type of negotiation, for example, the abolition of import quotas for Japanese textiles in the United States.

The U S has arrangements for such joint negotiations with only one other country, Canada. The joint US-Canada committee has been in existence since 1951. But the position of Japan and Canada is by no means comparable. Canada is adjacent to the United States and has long been forced willy nilly to adjust its economy to that of its neighbour. But in the relationship between America and Japan, it is rather the case of the giant making friends with the dwarf. No matter how many protestations of friendship the large neighbour may utter, it is only when substantial concessions are made that Japan will start to show confidence. Although no public statements have been made by either side, it is clear that the Americans have been a bit disappointed at the "narrow-minded" attitude of their Pacific neighbour. Only in respect of the joint planning of economic aid to other parts

of S-E Asia have the Japanese been showing interest. But it seems very important from the American point of view to be very careful how much aid is channelled. The Japanese have not been noticeably successful in their reparations agreement with Burma or Indonesia and the Americans can be so overcome with the "Asianess" of Japan as to misunderstand the attitude of other Asian countries towards any scheme of aid channelled through Japan.

After the Conference, the Secretary for the Interior, Mr Udall, climbed Fuji from the fifth station, accompanied by the head of the Japan Alpine Club and fifty news-photographers. One hopes that this will not become a permanent feature of such conferences, in which case, Foreign Minister Kosaka will have to climb to the top of the Rocky Mountains in order to maintain perfect reciprocity between the two countries.

Fall-Out from Russian Bomb

The question of fall-out from the Russian hydrogen bomb continues to exercise the minds of the Japanese. Anti-Russian feeling is quite considerable and, if Communism were associated only with the Russian way of life, one would have thought that Japan would be permanently inoculated against Communism. The situation is not so simple, however, because the Japanese have always distinguished between Russian and Chinese Communism, and the disagreement between the Communist Parties of the Soviet Union and of the Peoples' Republic of China strengthens rather than weakens, the feeling of solidarity with China. It is claimed by the Japanese police bureau that the membership of the Communist Party has doubled since this time last year and that the circulation of the Communist newspaper, *Akihata* (Red Flag), is increasing by leaps and bounds.

Moreover, while the Government has set up a special committee to measure radiation in foodstuffs and in the air, there has been no systematic attempt by any scientific body

to give advice to the general public along the lines of the Medical Research Council of Britain. It is difficult to believe that, should the level of radiation rise dangerously high in milk or rice, the Government would be able to give immediate orders that it be destroyed in the same way as occurred in England during the Seascale disaster of 1957. It is very likely that, should radiation rise high, Japan will find herself as unprepared as the other countries which have not suffered from the Hiroshima bomb.

Faction-Fight among Socialists

Factionalism in the Socialist Party seems to be more virulent than ever before in its whole history. Two groups, formerly of the Suzuki faction, are now fighting for leadership of the Party. The leader of the Party, Kawakami, who was chosen last year as a compromise candidate, has admitted that he has been unable to reconcile the two groups. The basis of disagreement between the two seems to lie primarily in personal dislikes but, in addition, the more left-wing group claims that it is clear from Cuba, Laos, Berlin, etc., that capitalism is on its last legs and that the sooner the Japanese socialist party sides openly with the socialist section of the world represented by Communist China, the sooner the contradictions of Japanese society will be resolved. It is disastrous for Japan that just when the Socialist Party seems to be gaining the confidence of voters, this kind of faction-fight should prejudice its chances of ever forming the Government.

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Book Review

Rural Home-Makers

Evelyn Wood

*Women's Programmes**, published by Planning Research and Action Institute, Lucknow, 1960.*The Woman Village Worker* by Ellen L Moline, published by Allahabad Agricultural Institute, Allahabad, Pp 70.

THE two publications reviewed approach the whole question of women's work in the villages with very different objectives. The principles in common to both are those which can be adopted easily by women who want to think ahead. It is difficult to see how either programme will activate the conservative woman.

Curiously enough, only the single A A I publication makes clear the main reason why women's work in the villages has such overwhelming importance. This same point is implicit in the group of publications from P R A I; but it does not immediately strike the reader, even when he is looking for it.

It would therefore be better to state quite roundly just why women are particularly in need of help in most villages. This is partly so that they may make both their own lives and those of their families easier. Probably both the groups of younger, less experienced workers supporting Miss Moline and Dr Krishnabai Nimbkar would agree that neither lady is inclined to spare herself. Yet it may well be that a village wife and mother is often disinclined for progress because of the burden of her family's less measurable needs which, she feels, she must carry. Here the A A I group seems to recognise the problem more clearly.

Women in a society which is rebuilding itself can, of course, put the brakes on much adventure. Every mother has to carry the first

responsibility for her children's education; and she is always the first guardian of all the family's health. How far can she extend her influence beyond these basic needs?

Why Village Women?

The farmer's life is probably more governed by the smoothness with which his home runs than is that of any other kind of working man. Today, besides, the demand for new work which comes upon the many different kinds of artisans who serve the farmer has put those households into almost the same condition of dependence on secure woman's arrangements. This might be easy enough if it were certain that the children will be content to remain farmers or artisans. As we all know, however, the younger generation has far less attachment to the village. This is the rural mother's hardest task today: to keep the balance between the needs of the home and its restless members.

Besides its working life, the family naturally aims to be happy, to celebrate its festivals and to have its day-to-day diversions. Because of her key-position in the home, the whole of this organisation falls mainly upon the woman in the house — or the women in the house. This alone would tie her to tradition; therefore both groups of authors are interested in village-women's skills and forms of association.

The P R A I group of books and the A A I Manual both tackle the home problems from the point of view of a North Indian woman. Doubtless a rather different approach is necessary in the cultures which still flourish in South India. Probably, the rigid relationships which existed a generation ago among North Indian villagers have already become a good deal looser. This is not so likely in the South.

Relationships in the northern family seem to be easier than they were, more particularly in UP,

which has been in the minds of the authors of all these useful books. It is quite likely that 40 or 50 years ago most village men took it for granted that their wives would do everything that they possibly require to make a home and save the skilful men any effort whatever outside their fields. This is certainly the safe approach with which the authors of the P R A I group have started.

The Ajitmal Experiment

There is a great deal of repetitive writing in this collection of six pamphlets; and perhaps it would be as well to summarise the ground which has been covered. The idea of having a separate Women's Programme was started in April 1957. Where this experiment differs from all others is in the fact that it began by making a group approach to a limited number of families in adjacent villages. By the end of 1958-59, about 166 families, through 16 villages, had been brought into the scheme. Fieldwork did not actually begin until January 26, 1958.

At first, four centres were established, one in each village. In the second period, three more adjacent villages were brought into the plan, making sixteen in all. In the third and fourth stages, two villages each year will be taken up in each area. The maximum aimed at is 32 villages within the one Pilot Project, which lies within a circle of 5 miles circumference. In the main villages, the field staff works with 22 families, and in each attached village with 7 families. This brings the total to 43 families in each centre.

The Sangrahalaya is organised as a model residence and a model store; but of course the family aspect does not enter the building. Neither farmer nor artisan bases his work upon it. However, it is a kind of women's club, at which there is normally either a resident Gram Sevika — sometimes two —

Time brimful with
laughter and
tears, time gay
with romps on the
sea shore, time
of careless days that
must be left behind.
But what sort of
'times' will they
inherit, these
youngsters, what
world awaits
them? A good
world, we hope, a
better one than
we live in. More
food, more clothes,
better medicines
and greater oppor-
tunities to travel
and make friends.
It is towards this
end that industry
and commerce
are working and
we are glad to be
a part of it.

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or may be one or two Sahayikas who are filling in for them. The Sangrahalaya is also a clearing-house of problems both for village women and for women Extension workers.

It has already been used for training the latter in the realities of village life. There is no doubt that the example of village-modified housekeeping shown in the Sangrahalaya has already taught a great deal to both sides of the development pattern.

The Sangrahalaya is also a collecting centre for craft work of any kind, and for the practices of tradition and custom which are observed in the seven villages for which it acts as a centre. There are a number of other uses listed in publication No 216; but they do not seem to differ much in principle from what has just been described.

Where teachers of some special skill are available, they are usually induced to visit the Sangrahalaya, since this is the quickest way to find out whether the skill which they have to offer is likely to interest local village women and girls, or not. The institution thus helps to plan an Extension course well ahead of time.

The village resident, who agrees to become a woman worker, has more recently been called elsewhere the "Gram Lakshmi". In this experiment, she is called the Sahayika. Her post is intended to be, if not permanent, then of very long duration. She gradually builds up to do all the work which a Gram Sevika who is more highly trained than she has already managed to cover.

Indeed, the Sahayika can act in the absence on leave of a Gram Sevika. The Sahayika undertakes to keep the Sangrahalaya — which is a combined residence for two gram sevikas and a store for the needs of the families whom they serve in the village — in good order; and to issue stores only according to the accepted system.

"Baseline Survey"

Curiously enough, this is the last publication released. It is not quite clear from the record whether the Survey was begun and finished in April/May 1959; or, if so, why publication was deferred until Sep-

tember 1960. In any case, it appears as if the result of the Gram Sevikas' and Sahayikas' work has been felt to a considerable extent in obtaining responses to the questionnaire which forms the major part of the Survey.

The questionnaire is really one which could not expect to elicit replies which attempt to be unbiased in the hope of pleasing the Extension authority. If the questioning was, in fact spread out over a year or so, the answers may be more reliable. This can always occur when the questioners and respondents are quite intimately known to each other. Nevertheless, the usual methods of administering a questionnaire were adopted, so that only 76 out of the 166 (or 172?) households were asked for their answers.

The physical arrangements of the household accounted for a large number of the enquiries; but this would not be of much interest to people outside the area concerned. Picking some of the highlights of interest for everybody, we may take the much vexed question of Family Planning, as a start.

About two-thirds of the household were aware that family planning is a matter for a joint control of husband and wife. The one-third who knew nothing about the subject said that they were willing to learn. More data on the marital status of questioner and respondent would have made this answer better understood. When it came to adopting actual birth control methods, this number was cut by half.

As might be expected, where there is no latrine in or adjacent to the house, women of over 80 per cent of the families go out to the fields; but 24 per cent would be willing to have a latrine in the house. These are very surprising figures, when one considers the usual resistance, particularly to this latter idea — and in the same part of the Ganges Plain.

In fact, it may be said that the whole of the Baseline Survey, considered as an exploration into minds already prepared for thinking in new directions, is of extreme interest, since it upsets a great many of one's firmly held beliefs about village women's prejudices.

There seems to be only one obstacle in the way of this large-scale P R A I experiment expanding itself as the accepted system of working with village families through the women. That obstacle is the lack of sufficient devoted women to carry it through with the same patience as has been shown in conducting this experiment. To what extent can one expand the same devoted and slow-moving grasp of the women's home problems in the villages?

Shaping Official Aid

The AAI Guide is a very different kind of publication. It must allow for all the possible activities of the official programme, without any introduction of defining experiments, as at Ajitmal. In this way, a girl who is much less trained, or possibly even not of the same standard of education, may be expected to find a practical outline of what she can do.

This assumes that the official Extension programme will be slow to be implemented; and that its current intention of assigning only five villages to a Gram Sevika at one period will continue. In this way, some of the principles of Extension Service will get established where there is a lively sympathy between some of the village women and the Gram Sevika.

Given these assumptions — which seem to be the only reasonable ones for Uttar Pradesh — Miss Moline's Guide is certainly designed to create and use that desired sympathy. There does not seem to be any sure way of establishing the Women's Service which could employ any other general means.

Even if, and when, the intellectual probings of Ajitmal reaches its two conclusions, two awkward facts may emerge. First, there may not be enough girls of high calibre to join such an advanced Service. Second, the true demands of village residents may not be found of a sufficiently common pattern. In either event, the AAI Guide will still be found necessary.

The ultimate objectives, broadly speaking, of "improved home living" are, of course, just the same; but the immediate aims of the Ajitmal experiment may have to be

THE ECONOMIC WEEKLY

changed. Pending such adjustments, the brief A A I Guide will enable those Gram Sevikas who have had the necessary education to follow up at least part of the official programme much more deeply.

At the same time, the less-qualified Gram Sevikas will find their level; they will not be able to carry out at least some of the recommendations provided in this excellent outline. Perhaps the Guide's chief use is as official confidence-creator.

A number of assumptions about the services which are available for families in the villages served stand out much more clearly from this briefer treatment. One might imagine from the Ajitmal experiment that men were no more than incidental to the village home, in which they do not appear to take part in any of the work proposed. The problems of family discussions are faced on pages 37 and 38 and again on page 46, of the Guide, where an entirely practical method of setting out the means and aims of the family on paper is suggested as one of the Gram Sevikas' acts of assistance.

Though the mechanism evolved both at Ajitmal and in the Allahabad villages which Miss Moline must have studied, among others, is equally Extension Education, the problem of preparing the children for school is among those treated in the briefer manual; while it has not entered at all into the experimental series. It is probable that many compromises of this professional character will, in fact, be necessary in the broader view.

There are many other subjects which one would immediately describe as of "public interest" which are dealt with in the pages of the Guide. It is very difficult to illustrate this complete treatment by quotation; but, on the other hand, the manual is brief enough to read through several times over, so as to make one's own notes.

First Base: Self-Evaluation

One of the problems to which reference is made in the Ajitmal Experiment appears to find a much more practical solution in the brief Guide. This is always the difficult

question of when and how to introduce self-evaluation, both among Extension workers and the village families who accept them. We all know, in practice, that taking on a new job means that we must watch our handling of it very closely, even if it be only to see whether we can satisfy ourselves that we are learning a little more about it from day to day.

Miss Moline's manual makes the Gram Sevikas' practice of checking her performance of the job, as well as her grasp of it, about as simple as they could be. In fact, the brief Guide makes explicit what was undoubtedly well understood by all those who have taken part in the Ajitmal experiment.

Thus the Guide begins with the broad intention of village-aid as such, of course treating it as looked at from the point of view of the women who keep the homes going. The account of the likely means of self-help to be sought in every village is given by the Guide in such a way as to raise all-round questions and discussions from the very beginning of the Gram Sevikas' work in the villages.

The essential point of local choice — or rejection — is well made on pages 17 to 19 of the Guide, and thereafter at the end of every chapter. It is made clear that an Extension worker can only proceed as far as people are willing to try and experiment with something new, or with some new way of satisfying an old need. A strictly experimental treatment, as recorded for Ajitmal, naturally does not have the chance to review this broad coverage, step by step.

Village Health

Undoubtedly, the authors of both the single and the series of publications must have realised that the immediate means of alleviating illness lies every time with the women of a household. The kitchen is the greatest ally or enemy of the doctor. When there is a really effective health service available to the people of a rural area, the woman's responsibility in each family is not so much diminished as made a little more specific and a little more difficult.

The traditional means of dealing with fevers, infections of various

kinds and even broken limbs, have to be modified according to the new knowledge which has been brought into the area by the modern health service. Miss Moline's Guide provides, on pages 52 to 59, an analysis of the situation as it can be presented to an experienced village lady.

It is perhaps overstraining this analysis a little to bring in family planning as part of the modern health service which is yet to be introduced. However, this seems to be the only logical place in which the subject can be naturally discussed, so as to come into proper scale with the rest of the Extension activities.

Audio-Visual Aids

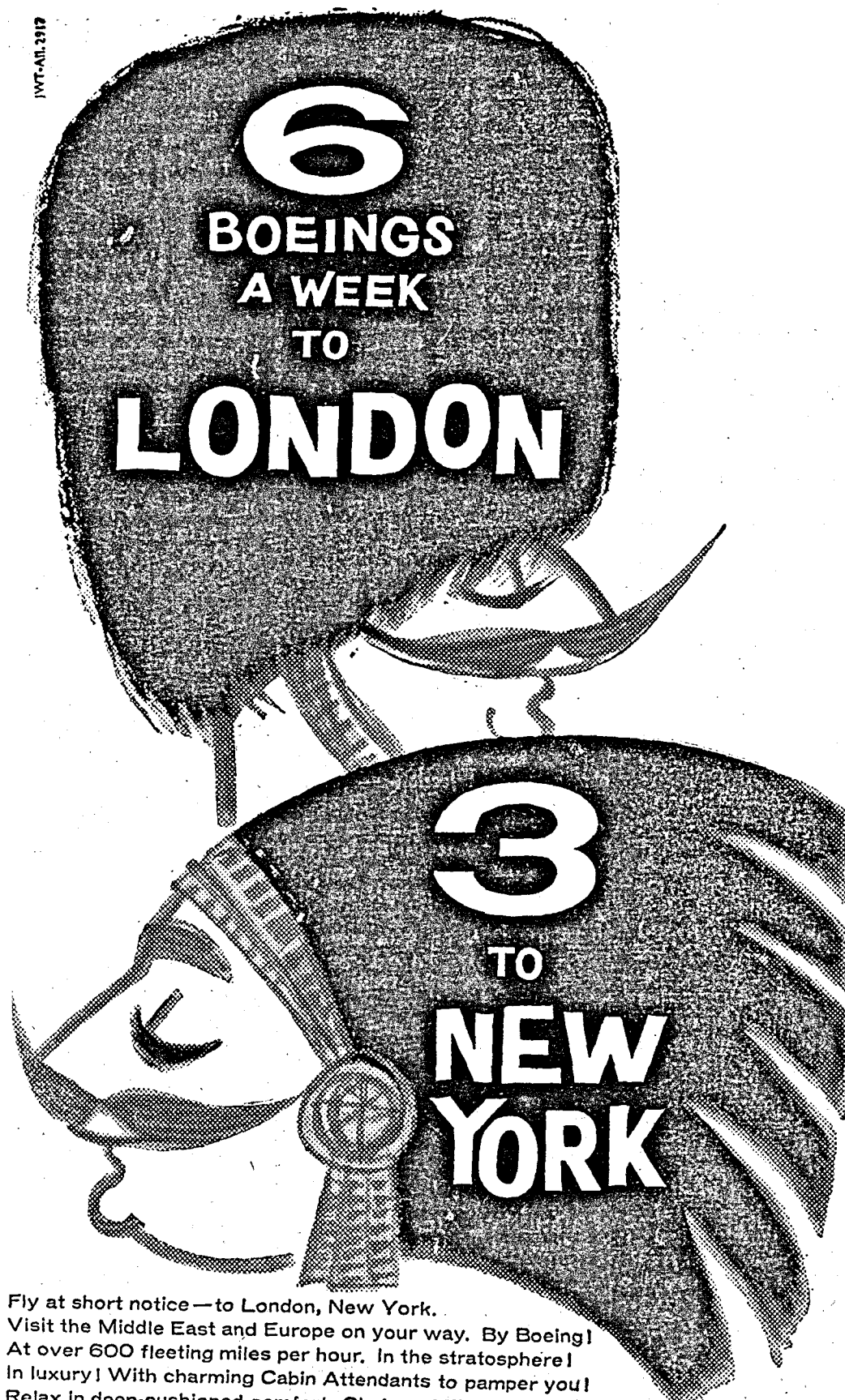
There is a good deal more reference to this rather neglected subject on pages 24 to 26 of the brief Guide. The Ajitmal experiment acknowledges, in the briefest way, the use of audio-visual aids; but in the Guide, more reasons are given for the use of these apparently luxurious means of communication. Perhaps the strongest reason of all is that "people get very tired of just hearing someone talk about a thing".

From the very way in which the record of the Ajitmal experiment is reproduced, it is apparent that visual aids must have been used quite freely; but no argument of the strength just quoted has been adduced in that record.

It would be difficult to give an absolutely new woman village-worker the record of the Ajitmal experiment to study. Nevertheless, after she had read and tried to apply at least parts of the manual produced at Allahabad, the Ajitmal record could enable her to suggest a combined organisation of women in a similarly restricted area, which could carry out more ambitious plans for village-development from the women's point of view.

On the whole, both publications seem essential; Ajitmal from the long-term point of view, and Allahabad for the immediate needs. Finally, surely other States — or at least Regions of India — should be provided with adapted versions of both these documents.

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Business Expense Rule

A Retrograde Step

Maresh Bhatt

One of the important changes made by the Select Committee in the new Income Tax Bill was to maintain the status quo with respect to the business expense rule.

The Bill as originally presented to Parliament made an important change in the test prescribed to determine the deductibility of expenses in the case of business. According to the old Income Tax Act, clause (XV), any expenditure wholly and exclusively laid out or expended for the purpose of business was deductible. The new Bill sought to provide that the expenditure should not only be wholly and exclusively incurred but should also be necessarily incurred for the purpose of business. Thus the expenditure would not have been allowable unless it was proved to have been necessarily incurred.

It is proposed to consider in this article how far the test prescribed for deductibility of business expenses in the new Bill was justified.

THE difference in the wording of the expense rule as applicable to business and to employed individuals is worth noting. In the case of employed individuals, the words "necessarily" and "in the performance of the duties of" restrict the scope of the allowable expenses in the most stringent way. In practice, the most restrictive adverb is "necessarily" which figures in the one case and not in the other. Thus as per this rule an employed individual may be refused a deduction for expenditure on subscriptions to professional associations, personal equipments used in preference to those provided by employers—e.g., books in addition to those available in the college or University library—or, for any other expenditure not made obligatory by the employer or by the nature of the employment.

Similarly, the phrase "in the performance of the duties of the office or employment" would imply that many expenses which arise out of an employment are nevertheless not incurred in the performance of the duties of the employment. Thus the expense of travelling from residence to the place of business, though unavoidable, will not be considered as having been incurred in performance of the duties. Further, expenditure incurred by a businessman on advertising and entertainment is deductible while expenditure incurred by an employee in entertaining his boss in order to improve his earning and in many cases to maintain his present earning is not allowed.

One may also mention the grant of capital allowances to business.

In the case of trade or business full allowance out of taxable income is given for the money spent in acquiring assets such as plant and machinery. No such allowances are given with respect to the capital expenditure incurred in vocational and educational training by individuals. Further, one of the justifications for granting the Development Rebate and tax holiday is that such concessions are necessary to encourage modernisation and re-equipment. Exactly on the same basis such concessions can be claimed by an individual who spends a sizeable amount in acquiring technical or professional skill. The case for extending the concession to the individual is stronger in a country like India where both capital and skill are scarce.

Narrowing the Gap

The question is whether it is possible to allow such deductions to the employee and/or restrict the scope of business deductions so as to narrow the gap between the treatment of these two classes of taxpayers.

Let us consider the expenditure incurred on education and training so as to maintain or improve one's earning prospects. The first question that arises is: Who should be given the allowances? The parent who incurs the expenditure or the trainee? In practice, such educational expenses should be allowed to be amortized over the years during which the individual actually realises the gains in productivity which may be presumed to have resulted from the training. The next difficult question is what amount should be allowed as expenses. As William

Vickrey ('Agenda for Progressive Taxation') has pointed out, besides the tuition fees and other direct expenses, the largest element in the cost of training is the income which could have been earned by the trainee as an unskilled or untrained worker had he gone to work rather than devoted time to training. But it is highly impracticable to calculate an allowance for the earnings foregone. Besides, the claim for such an allowance for education can be questioned on the ground that provision for education is made on a considerable scale by the state. It is true that in India higher education is not free and the student or his parent has to incur a good deal of expenditure. But here also the entire burden is not borne by them. Further, in some instances such fees are necessary not on financial grounds, but because things which are entirely free may not be taken seriously.

Still, there seems to be justification for permitting some allowance in a case where expenditure is incurred on training which has a direct bearing on the claimant's efficiency in his own occupation. For example, there is a case for giving such allowance when a teacher or a technician spends money to get a higher qualification in his own specialised field. This, of course, raises the difficult problem of drawing the line exactly. For example, what would be the demarcation line in the case of a Government employee? He can claim allowance for a wide range of training courses, as Government service covers a wide range of functions.

As for subscriptions to professional associations, periodicals etc, it is sufficient to quote Justice Rowlatt of Britain. Justice Rowlatt maintained that ".....all subscriptions to the professional societies and all taking in of the professional literature and all that sort of expenses which enable a man to keep himself fit for what he is doing are things which can none of them be allowed. If they are allowed every professional man would say 'I have to belong to this society, and I have to belong to that society. I have to take in this publication and I have to take in that publication and to do all sorts of things' and there will be no end to it."

Thus, accepting that there is some inequity in the present treatment of individuals and businesses in respect of permissible deduction from taxable income, the task of correcting it through widening the personal allowances seems to be extremely difficult in practice.

Inequitable Business Expenses Rule

The alternative to permitting more liberal personal deductions is to restrict the allowances given with respect to business expenses. A glance at the various generous business deductions permitted in India is sufficient to convince one that they are not only inequitable but also provide wide scope for passing off personal expenses as business expenses. It is well known that the wording of the business expense rule provides a loophole for the avoidance of tax. Further the scope provided by this rule for passing off unnecessary and avoidable expenses as business expenses amounts to the subsidization of such expenses. Mr Nicholas Kaldor has rightly pointed out that when the marginal rate of tax is as high as 90 per cent, 9/10th of such "unnecessary" expense is financed by the Government and only 1/10th by the tax-payer. Apart from this, one of the consequences of such tax-adjustment would be that the honest man will carry a comparatively heavy burden.

Mr Kaldor had suggested that the words "wholly and exclusively laid out" should be replaced by "wholly, exclusively and unavoidably incurred". Mr Kaldor also suggested that the expression "for the purpose of the business" should be replaced

by "for earning the profits of the year". The new Indian Income Tax Bill has not accepted these suggestions for some important reasons. If the test that only those expenses which are incurred for the purpose of earning the profits will be permissible is accepted, many business expenses which are involuntary outgoings due to events incidental to and occurring in the course of carrying on the business would not be admissible. For example, owners of transport undertakings may be ordered to pay damages for injury to a pedestrian caused by the negligent driving of one of their employees. If the test prescribed by Mr Kaldor is strictly followed this type of expense would be disallowed, because it can hardly be described as having been incurred unavoidably for the purpose of earning the profits.

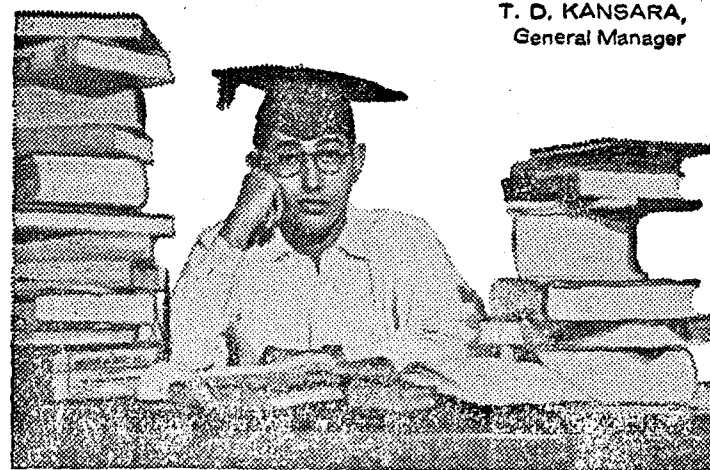
This, however, is not to deny that the expense account provision in India is in need of some tightening. This becomes more important when we have the expenditure tax in our tax system and the gain from passing off personal expenses as business expenses is doubled. The new Income Tax Bill made a genuine effort in this direction by providing that expenditure would not be allowable unless it is proved to have been necessarily incurred. It is most unfortunate, therefore, that the Select Committee has taken the retrograde step of deleting this much-needed provision which would have considerably reduced the inequity inherent in the existing arrangement and also restricted the scope for tax avoidance.

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Future of Special Treatment

Lelah Dushkin

The caste concessions granted to the Harijans are all temporary. No one has opposed this as a statement of principle. The most common characterisation of special treatment for the Scheduled Castes is that it is a "crutch" which, if continued to be used too long, will only weaken its users. Special treatment is also commonly called a "necessary evil". Although there are all sorts of subtle variations of emphasis on the words "necessary" and "evil", the consensus that it is temporary in principle is universal.

Temporary concessions, like temporary taxes, have a way of becoming permanent unless something is done to ensure that they remain temporary. This is the weakest part of the present system of caste benefits, for little has been done in this direction. The only provision of this kind is the time limit on reserved seats, which has been extended by another ten years and can be extended again.

The logic of the special treatment policy requires that the greatest amount be given at the beginning and that it then taper off as the need for it becomes less acute. In practice, the reverse has happened. Like a mighty banyan, it has grown steadily, especially since Independence, and has sent down roots into most fields of Government activity.

Special treatment has been in effect on a significant scale for nearly thirty years now. With a new Five Year Plan just begun, new elections a few months away, and a ten-year grace period for reserved seats, this seems the opportune time for Government and the public to devote serious thought to the problem of ensuring that special treatment will be temporary in fact as well as in principle.

THERE are two main questions to be considered. First, by what criteria will Government determine, when the time comes, that special treatment is no longer necessary? Second, how will the caste concessions be done away with?

The writer's efforts to obtain answers to the first question have borne meagre fruit. Some of the Harijan politicians have a ready reply — "when our quota of Government jobs is filled" — but Government leaders have said little. Evidence of public thinking on the subject comes more from implications and asides than from direct statements. It would appear first, that for Harijans special treatment in all fields is assumed to be tied up with reserved seats in politics, and second, the political safeguards and the removal of untouchability are considered co-terminus. There is also a reference to continuing special treatment until the Harijans' living standards are levelled up to those of the rest of the population. The main connection, however, is between untouchability and reserved seats.

Untouchability and Special Treatment

In 1959, the principal argument of those who favoured extending the limit by another ten years was that untouchability was still prevalent. It was implied, somewhat vaguely, that

special treatment will go when untouchability does. There was also an implied faith that untouchability will be gone when the question comes up again ten years from now.

Will it? Does Government think it can eliminate untouchability from all but a few pockets of the country in only ten more years? It is doubtful that anyone familiar with the situation really expects it to. To say this is not to disparage what has already been done. Untouchability has diminished remarkably during only two or three generations, and one should never underestimate this achievement. The point here is that untouchability is so ramified and deeply rooted that even if greater effort is made and the pace is increased it will still be widespread, in one form or another, well after 1970.

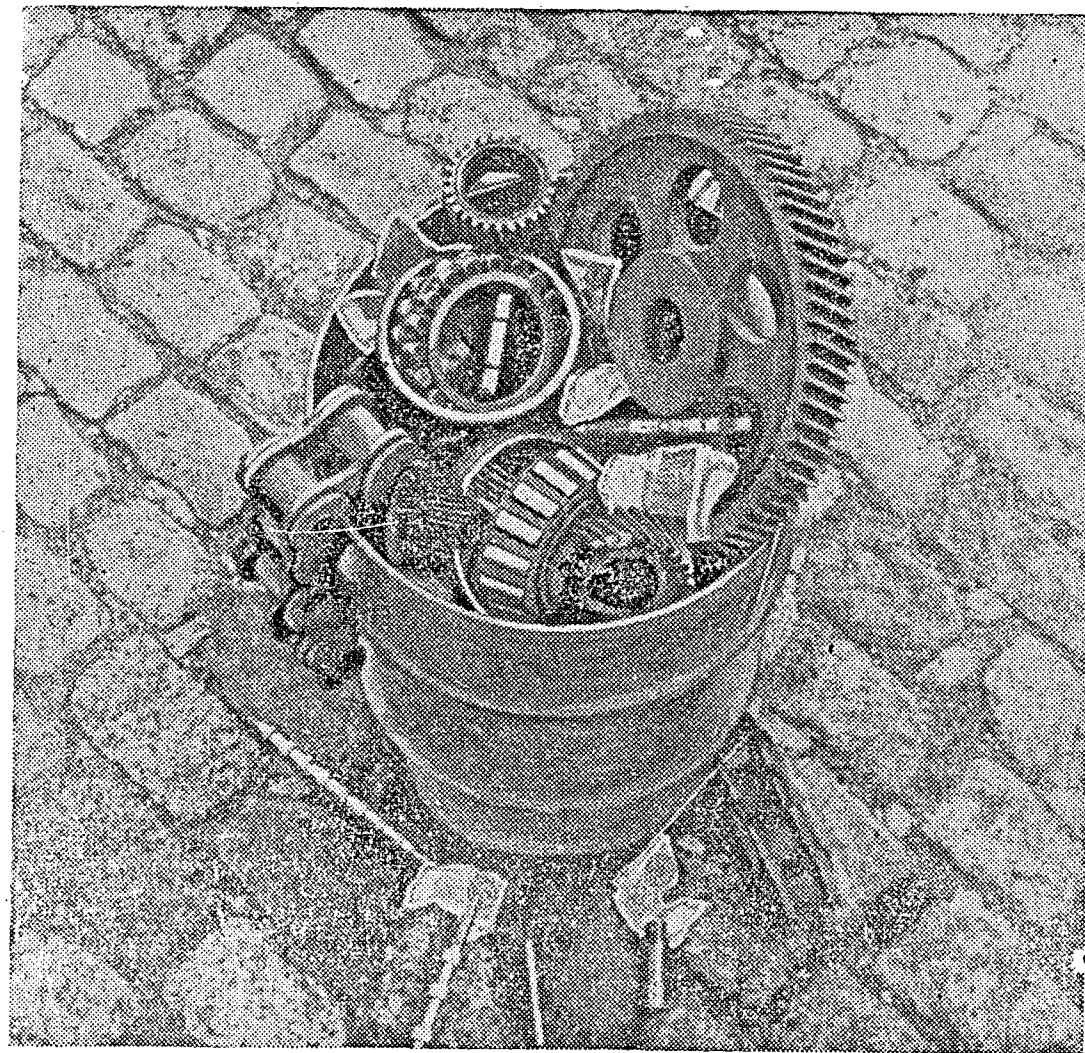
Erroneous Connection

What is the answer? To go on amending the Constitution every ten years until the "vested interest" in the survival of untouchability becomes permanent? Or to throw out all the concessions arbitrarily in 1970 without considering whether the Harijans still need help and protection? Perhaps the most promising way to avoid both Scylla and Charybdis is to begin by separating untouchability and special treatment.

The connection between the two

is largely erroneous. It is true that the Scheduled Castes were listed on the basis of their untouchability. Although the criteria of untouchability were flexibly applied and were unworkable in some cases, the castes which ended up on the list were, in fact, the Untouchables of their particular localities. But they were not listed because of their untouchability. They were listed because, as a group, they were the most poor, the most illiterate, the most dependent and helpless and did not, without safeguards, have a chance of obtaining a share in the portion of British power that was to be transferred to the Indians. Whatever motives one may impute to the British at that time, it was because this minority was underprivileged that it was listed for special treatment, and it was primarily for this reason that the lists and concessions were retained after Independence.

For example, in the State of Travancore, where the S C were listed on the basis of untouchability just as they were in British India, the 1931 Census Superintendent decided that the most workable criterion was the distance to which castes could approach the inner sanctuary of a temple. The castes which could not even enter the outer compound walls were Scheduled. But this was not done so that the Maharajah could issue his

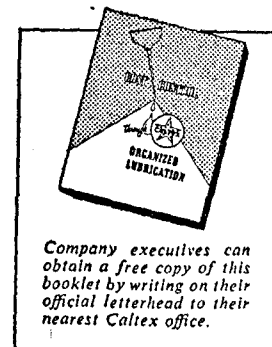


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famous edict a few years later opening some 1,600 temples to all Hindus, including Harijans. He could have issued it without having his subordinates go to the trouble of drawing up a list. The list was used for educational and some economic concessions and for nominations to the legislative council. Apparently the castes included would have been the same had the criterion been the lowest literacy rate or the greatest poverty.

If caste concessions were not adopted primarily for the removal of untouchability and need not last until that goal has been achieved, what other standards might be used for determining how long it will remain? The most logical would be those directly related to the educational and other welfare programmes, such as literacy rates, income and occupational distribution, for which the 1961 Census will supply much valuable data. A standard combining such criteria appears to be under official consideration at the present time, though no details are available.

Manner of Abolition

The problem of how such a standard would be applied leads to the larger question of how the caste concessions will be done away with. There are two main alternatives. One is gradually to reduce the list of castes eligible for concessions. The other is to adjust the concessions themselves.

Reduction of Schedule

The first has been suggested by Commissioner Shrikant provided that it be accompanied by adequate sample surveys, etc and be conducted according to 'scientific and uniform' criteria. The 1961 Census paper on the S C & T (the last to be published) will give the Harijan statistics caste by caste. The reasons for this decision are not known, but presumably these data will be used in revising the lists according to the Reorganised States and perhaps also in removing the castes deemed sufficiently advanced. Some revision of the present lists is necessary because of discrepancies caused by the re-drawing of State boundaries.

One wonders, however, how much reliance should be placed on the manipulation of lists as a means of eliminating caste concessions. Quite

apart from the political pressures such a procedure would generate and the problem of securing adequate data to supplement the Census, one can foresee numerous practical difficulties of definition and interpretation, both of the criteria to be applied and of "caste" itself.

Moreover, the correlation on which the original listing of the S C depended is weakening. The range of variation is increasing among the Harijan castes and among the individuals and families of a single caste as some people advance more rapidly than others. The different ranking systems (socio-religious, economic, educational, etc) no longer coincide as closely as they once did, for it is possible to rise more rapidly on some than on others. As all these differentials increase, the practical difficulties of using caste as the unit for granting or withdrawing concessions will also increase.

One of the basic paradoxes of the special treatment policy is that it is designed to break down the correlation on which it is based, and that it becomes unfair precisely as it becomes successful. Along with other social and economic changes, it has had no small measure of success. No doubt the Harijans as a whole are more underprivileged than any other group of comparable size. But there are more and more Harijan families who are better off than some non-Harijans, and more and more objection is being voiced to the policy of giving them special help when there are others who need it more and cannot get it because they were not born into the right castes.

Change of Basis

Of the two alternatives mentioned earlier, therefore, it might be best to place the main emphasis on the concessions instead of the lists. In most fields, this would not mean abolishing them but granting them on some basis other than caste. This would not prevent the lists from being reduced wherever feasible but neither would it require Government to find criteria for taking all castes off the lists or for determining just when the time has come for it to do away with the whole structure of special treatment. Neither problem would be crucial if the basis for the award of special help were shifted

from caste birth to individual or family income, occupation and other categories of need.

This is not a new idea, but to date it has been voiced mainly in relation to the Other Backward Classes, that catch-all category for which the Centre has not yet adopted a definition or a list. The Backward Classes Commission was appointed in 1953 to draw up the criteria and lists and recommend steps to be taken for the O B C. Its report, released in 1956, is worthy of mention because of its aftermath.

Without an up-to-date Census caste investigation, the only nationally uniform criteria it could come up with included so many people (half the population) that, as Pandit Pant told Parliament, "no useful purpose" was served by them. Throughout its investigations, moreover, the Commission was treated to an unseemly display of caste rivalry for inclusion in the list, with each group claiming to be more "backward" than the next and each religious community claiming that casteism was rampant within it. This, together with the Commission's failure to produce workable criteria and the controversial nature of some of its recommendations, encouraged the change in public opinion on caste concessions.

The Commission's Chairman, Kaka Kalelkar reveals in his introductory letter to the report that the competition in backwardness gave him a "rude shock" which,

"...drove me to the conclusion that the remedies we suggested were worse than the evil we were out to combat.

This painful realisation came to me almost toward the end of our labours.... It is only when the Report was being finalised that I started thinking anew and found that backwardness could be tackled on a basis or a number of bases other than that of caste.... Once we eschew the principle of caste, it will be possible to help the extremely poor and deserving from all communities."

Smt Hansa Mehta expressed the new viewpoint aptly in January 1957 when she said.

"The premium placed on caste handicaps is leading not only to unwarranted group jealousies but also

indirectly to perpetuation of the caste system. We have to consider whether it would not be wiser to give aid on the basis of a particular category of need rather than on the basis of a particular caste or tribe. This will eliminate those people who nominally belong to backward classes but virtually have attained a social and economic status that would not entitle them to additional safeguards and privileges."

The reaction to the B C C report has not brought an end to demands for the expansion of special treatment in kind, amount or number of castes eligible. But it may be that in Mysore's claim for more money on grounds that 90 per cent of its population belongs to Backward Classes in the demands of O B C organisations for huge concessions in education, reservation of 40 to 60 per cent of Government jobs (even for a 15-year monopoly of them), and so on, we are witnessing the extreme phases of a habit of public thinking that is on the way out.

Caste Lists Not Drawn Up

The Centre is moving in another direction. It has either rejected or ignored the major B C C recommendations. It now shows no intention of drawing up its own caste list of O B C. It did not enumerate the O B C in the 1961 Census and has asked the States to delete the O B C caste column from Government records. It has warmly applauded the new income-based educational policy of Maharashtra and Gujarat and has made clear its wish that the other States also adopt economic criteria of "backwardness".

It should be clear that the principles stated by Kaka Kalelkar, Smt Mehta and many others apply equally well to the Scheduled Castes. It would be fairer to all concerned if special assistance were granted on the basis of income and the specific needs each form of it is designed to meet.

But, one might say, for the Centre to refuse to adopt lists or special treatment for the O B C is one thing; for it to do away with lists or concessions it has already adopted for the Harijans and which have already built a certain vested interest in their perpetuation, is another.

There are two main practical considerations against such a change: the arguments of administrative and political realism.

Administrative and Political Objections

In a sense, special treatment is no more than a great administrative short-cut for ensuring that the least privileged sections of the population get the opportunities deemed rightfully theirs. For the administrators, it is less difficult to award benefits only to members of certain castes than to award them only to persons who have less than a certain income. This would be true even if deceit were the exception and not the rule in stating incomes before officials. Moreover, concessions with caste safeguards are relatively less subject to usurpation by those who are not intended to be the main beneficiaries. Thus concessions granted on the basis of economic or other categories of need, without caste limits, will be more difficult to administer and perhaps more susceptible to unfair influence and diversion into other hands.

None of these obstacles is insurmountable, however. The Government of India has applied income limits to its O B C post-matric scholarships for years without any serious complaints of maladministration on this score. Maharashtra and Gujarat have taken on a tremendous administrative task in awarding their expanded O B C concessions on a purely income basis, yet the system is working as well as caste concessions are elsewhere in spite of the upheavals caused by the bifurcation of the bilingual Bombay State.

In effect, the administrative argument is not so much against making the shift to need concessions as against making it hastily or abruptly. It will take time to work out the procedures for implementing the new system. And the changeover from the old to the new will probably be fairest to all concerned if it is done gradually as part of a phased programme.

Question of Timing

The Harijans are not politically as strong as their numbers would indicate. But they comprise a section of voters so large that no party can ignore them, and their representatives in New Delhi have acted with

growing unity of late. Can Government put through a major change in their status (i.e., cease to recognise them as a minority) against their wishes? The prevailing view is that the majority must not make the decisions without some measure of consent from the minority. But can one expect the Harijan leaders themselves to demand the abolition of special treatment? This is too much to ask of them.

Here again, however, the situation is not hopeless. All the Harijan leaders have at least paid lip service to the desirability of abolishing special treatment eventually. Some may push its present continuance for their own selfish purposes, but many seem to be clinging to it from the fear that without it they will lose everything. If the educational and economic concessions were given on the basis of income and need, few Harijans would actually lose them. The Harijan leaders recognise this, but they tend to be highly suspicious of the motives of those who call for an end to caste concessions. They apparently feel that without caste safeguards, not enough non-Harijan officials could be counted on to administer the concessions in good faith. Non-Harijans, for their part, sometimes exaggerate the effects of special treatment and condemn it impatiently without adequate appreciation of the real difficulties under which the Harijans labour. In sum, then, the political problem boils down to questions of timing and of establishing some degree of mutual confidence where mutual suspicion now exists.

Initiation and Timing

Government is faced with the difficult task of finding a middle way between waiting too long before abolishing special treatment and ending it too abruptly. The political considerations, like the administrative, argue for a gradual approach. And in coping with the administrative problems, it will be necessary to demonstrate, step by step, that the new system can operate without injury to the Harijans' legitimate interests. With adequate consultation, their cooperation can be secured in working out a satisfactory transition.

The initiative should probably come from the top leadership of

Government. What is needed now is a public commitment that Government will move toward abolition of special treatment during the present decade. A statement of this policy by the Prime Minister, the Home Minister and the Railway Minister would do much to create a favourable climate of opinion. If the efforts to work out the most appropriate transitional arrangements could begin soon after the elections, the full grace period could be utilised. During the decade it should then be possible to complete the changeover in most fields and to work out the order and timing of the steps which remain in the others.

The changes would presumably vary according to the type of concession and the field in which it is granted. It will be simpler in some cases than in others to make the transition from caste to need concessions. In still others, need concessions are not appropriate, and different ways to abolish special treatment will have to be found. A general indication of some of these problems and possibilities is given below.

Abolition in Each Field Removal of Disabilities

Little in the way of transitional steps seems necessary for the schemes to combat untouchability directly because most of them do not involve the award of caste concessions. Indeed, one wonders how much of this effort would really be affected if the list of Scheduled Castes were abolished tomorrow. Only the Untouchability Offences Act, curiously enough, for it cannot operate without a list.

The work of changing social attitudes and customs by non-violent demonstration and persuasion went on for decades before the Act was passed and had real accomplishments to its credit without Government aid. Government grants to voluntary agencies with long experience in the field can continue without a list. The announced policies of integrating wells, housing and hostels might encounter some difficulties but could still be implemented if there were a genuine desire to do so. The same is true of the new official schemes for changing attitudes toward the dirty occupations, which are very small and experimental in any case. Finally,

the improvement of the living and working conditions of sweepers and scavengers is not generally done on a special treatment basis even now, and there is no reason why it should be in the future.

In effect, then, just as the abolition of special treatment need not wait until untouchability is eradicated, so the schemes for the direct removal of disabilities can continue as long as is necessary after special treatment is gone. Important as they may be, however, it is difficult to see how they can be successful except as supplements to more fundamental changes. The evidence would all indicate that the major means for the removal of untouchability are indirect: primarily changes in economic status and living conditions, and education.

Economic Welfare

The major problems of the Harijans are shared, in greater or lesser degree with most other inhabitants of the country and can be adequately dealt with only in a much broader context than that of S C welfare. State laws for protection against exploitation—especially those pertaining to land tenure and indebtedness—rarely contain special provisions for Harijans. Caste concessions are somewhat more common for specific forms of assistance which may follow up the laws and for the development of cottage industries. Many of these schemes have had only indifferent success, however, and there seems to be no correlation between their effectiveness and whether or not they are special treatment measures.

Where the welfare schemes cope with the needs of certain S C groups, such as municipal sweepers or village tanners, it does not particularly matter whether they are on a caste basis or not because the recipients would be the same in either case. Most of the S C schemes, however, supplement those operating for the general public and are usually more generous. Where the S C schemes involve a greater contribution from the State, on the ground that the Harijans cannot afford the contributions required of beneficiaries under the general schemes, it would seem only fair to put them on an income basis.

The Study Team on Social Welfare and Welfare of Backward Classes (1959) recommend-

ed that, while retaining the Schedules of Castes and Tribes, economic criteria be applied within the groups in administering all forms of assistance. In the case of housing, for example, rationalisation according to income level would mean outright grants to those below a certain minimum and loans on easy terms to those between it and upper limit; those above the maximum would be eligible only for the general housing schemes. This would provide a feasible intermediate step. After procedures are worked out and enough money becomes available, the next step will be to apply the same gradation of benefits to everyone irrespective of caste.

Education

In education, caste concessions of both main types are awarded on a significant scale. The grants in money or kind are made at all stages of education, the reservations being mainly for admission to higher technical and professional institutions.

The principle that scholarships and other grants should be made only on the basis of income-cum-merit has received growing support, and a number of States have said they intend to move toward its adoption. Steps taken to date have applied mainly to the O B C, however. The Harijans generally continue to receive their grants on a caste basis. The logical step here, as with economic concessions, would be to apply income limits to them, too, as a transition to the day when all grants for education above the level at which it is free for everyone can be awarded solely by merit and income.

The reservations and other concessions in respect of admissions are more difficult to cope with. Here it may not be appropriate to apply income limits to the castes which enjoy them but instead to apply time limits to the reservations themselves, as more BC candidates qualify. This question probably cannot be answered at present. The task now facing the authorities is to operate the system of caste concessions on more rational lines. Two essential steps have been suggested. First, the determination of standard minimum qualifications which would apply to everyone. Second, the application, above this minimum, of the procedure recommended by the

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Mysore High Court to select those actually admitted on a merit basis as far as possible. Once this system is in operation (where it is not already), the problem of gradually abolishing it can be tackled. This might be done by some combination of setting income or time limits, reducing the caste lists and reserved percentages, and raising the minimum qualifications. The determination of the details and their application will not be easy in view of the political pressures involved.

Government Jobs

In politics and government jobs, the concessions are almost entirely of the reservation type and will be far more difficult to deal with than those involving expenditures. In pre-matric education the shift from caste to income-based concessions is a step toward free and compulsory education for all children; and for some welfare services it is a step toward a national system of social security in a socialistic society. But these considerations do not apply to political seats or government jobs. In neither field is there the expectation that the seats or posts can eventually be held by everybody or awarded on ground of need. In these fields, merit—as determined by the electorate or by the examinations and selection boards—must ultimately prevail. The problem is to find some means of doing away with present discrimination, both for and against the B.C., so that it can prevail.

Government jobs are the more difficult of the two, if only because there is no time limit on these concessions, and their extension does not require a Constitutional amendment. In theory, special treatment in this field is a means of giving a fair chance to individuals who have the intelligence and aptitude for the jobs but cannot do quite as well as their competitors at examinations and interviews because they have not had comparable advantages. It has become common, however, to regard the concessions as a means of securing adequate representation of the castes in the services, which gives special treatment an altogether different emphasis. Thus, the reserved percentages are "quotas" which are to be filled in each Class of Government service.

This quota concept has a certain ring of permanence about it, but it does not necessarily conflict with the temporary nature of special treatment. Presumably, one would simply wait until the quota for a particular class was filled and then go about reducing the percentage of reservation by a specified amount every couple of years, much as was done with Anglo-Indians in the Railways. Harijans have already filled their quota in Class IV posts and will probably do so at the Class III level in a few years. But if the above procedure is to be adopted for the quotas in Class II and I posts "consistent with the maintenance of efficiency of administration" (as required by the Constitution), then one must acknowledge that special treatment cannot possibly be abolished in ten years' time, perhaps not even in twenty. May be this will happen; in any case, it is not something a foreigner should pass judgment on.

There is another way of looking at the problem which may prove worthy of consideration. This starts with the individual emphasis which has always been the theoretical policy of Government. Here, abolition of special treatment means seeing to it that Harijans will get posts entirely on their own merit. It applies not only to the progress of the Harijans over a period of time but also to the advancement of the individual appointee during his career.

Reserved Promotions

Until reserved promotions were upheld by the Supreme Court, reservation generally operated only at the recruitment stage; after that a man was on his own. Although one cannot tell what the impact of the decision will be, the newspapers have been unanimous in their disapproval. Their primary concern is the potential damage to administrative morale and efficiency. It is also noted that statements to the effect that continuance of the "crutch" past the recruitment stage is necessary look like an admission of defeat for the existing reservations. Numerous reservations have been expressed about the advisability of providing an opportunity for another vested interest in caste concessions to get established at a time when they are to be modified or withdrawn elsewhere.

The way out of this dilemma, one suspects, is to concentrate on making the Harijans able to compete on a merit basis instead of lowering merit standards for them on a caste basis. For candidates who are held up at the post to which they were originally appointed because they have not attained the standard of efficiency required for promotion, Commissioner Shrikant has recommended that Refresher Courses be started exclusively for them in the Department itself. If special treatment has to be adopted for promotional posts, this seems the most beneficial, as well as the fairest form for it to take. As *The Hindu* commented on May 6, 1961, "Wider opportunities for education and facilities for intensive training for members of the backward classes within the various services, so that they can qualify for higher posts and get them as of right by merit, should be surer means of getting them their due than pitchforking them into jobs for which they do not have the equipment."

This approach need not conflict with the quota system, but could supplement it and speed up its abolition. And, of course, it would have obvious psychological advantages for the Harijans and their non-Harijan colleagues.

Political Representation

As noted earlier, special treatment in other fields is considered to be dependent on reserved seats, though there is no legal provision to this effect. The principle that reserved seats are temporary has always been explicitly endorsed by all sides, but the exact time limit has been subject to change.

When the British first announced their plan for statutory reservation in the Communal Award, they provided that reservation could come to an end in ten years and must do so in twenty. In Poona during Gandhiji's epic fast, the negotiators agreed that the question of a time limit should be settled by a referendum at a future date. They could not agree, however, on when and how the referendum should be held. It is perhaps significant that Shri Rajagopalachari's compromise, which broke the deadlock and enabled Gandhiji to give up his fast, was to shelve the issue.

A ten-year limit was fixed in the Constitution but "this is perhaps



the only occasion when an amendment was anticipated and provided for when the original Article was passed by the Constituent Assembly." (*The Economic Weekly*, December 12, 1959; p 1657). It came as no surprise that in December 1959 Parliament passed the Eighth Amendment Act extending reservation by another ten years. The surprise lay in the bizarre performance enacted in the Lok Sabha and the extraordinary indifference of Congressmen to their three-line party whip. Whether this came from resistance or from apathy is hard to say. Many regrets were expressed on the floor of the House before the Bill was passed.

If passage of the amendment was difficult in 1959 because so many Congressmen did not show up to vote, any such Bill introduced in 1969 will meet with more difficulty. Resistance to the idea has developed a firmness of late that was not much in evidence in 1959. When Pandit Nehru told the Convention of S C & T Legislators last February, "I hope all of you will bear in mind that there should be no further extension", he expressed a feeling that has been frequently expressed in the Press.

Abolition of Double-Member Constituencies

Reservation of seats is supposed to protect the underprivileged S C & T until such time as they can hold their own in the elections of a more integrated society. If reservation is to be abolished in 1970, it should be done in a way that will assuage Harijan fears that loss of reserved seats will lead to loss of everything else they are struggling for. Perhaps the most appropriate way would be to substitute convention for statute. This would involve an agreement by the political parties to put up Harijans for all the ex-reserved seats during the first post-expiry elections. This is easier said than done, but with adequate preparation it might be possible. In this context, the recent history of the Bill to abolish double-member constituencies may be discussed in some detail.

Although a private Bill was introduced late in 1959, the official Bill was not passed until the end of February 1961. During the inter-

vening months, opinion in the meetings of the Congress Legislature party was sharply divided, with Harijans on both sides, and the High Command evidently changed its mind more than once. On December 8, 1960, when the Party voted on the Bill, only 229 of the 555 Congress MPs turned up to cast their votes: 124 for, 95 against, and 10 invalid. The High Command thereupon decided to shelve the Bill, then reversed itself, and on December 23, the Law Minister introduced it for consideration at the next session.

Of the various arguments, those which prevailed among the legislators were apparently those of administrative and political expediency. Administratively, it was said, the double-member system is "inconvenient and cumbersome". With approximately twice as many candidates canvassing an electorate twice the normal size, it entails heavy expenditure and creates "confusion among the voters and misunderstanding among candidates of the same political parties." Therefore, the MPs "prefer smaller constituencies which involve less expenditure and trouble."

Political Reasoning

This preoccupation with the practical aspects of the system which affect the legislators personally is also characteristic of the political reasoning. In operation, the system places a double burden on the general candidate, who does most of the campaigning, yet may lose his seat in the end through S C-bloc double voting. The S C candidate is usually little known, his election is regarded as the concern only of the Harijans, and he usually rides in on the other man's coat-tails. Once elected, the man in the unreserved seat is regarded as the Representative of the constituency, his Harijan colleague as a sort of Assistant MP in charge of Harijan Affairs. The general seat incumbents, therefore, want to be rid of the extra burdens and risks, the Harijans of their "inferior" status of dependence, real or alleged, on their non-Harijan counterparts. For the S C & T Legislators who would like to build a more effective backward class bloc in Parliament, such independence would appear to be

essential. This may have been what the leading Harijan exponent of the Bill, Shri Jagjivan Ram, had in mind when he argued that the Harijans should "stand on their own legs". It is perhaps noteworthy that the first all-India Convention of S C & T Legislators, of which he was the prime mover, met at Hyderabad early in February 1961.

Be that as it may, what public preparation or pressure was there for the Bill? Surprisingly little, considering that it would directly affect all voters in a year's time. When Pandit Pant was questioned last September about bringing up an official Bill, he is reported to have "attributed the delay to his anxiety to avoid unnecessary controversy in the House on the subject. 'We had learnt from some friends,' he said, 'that there was some difference of opinion on this matter.' He, therefore, felt it would be better to straighten out things before introducing the Bill." (*Times of India*, September 7, 1960.) This seems characteristic of the affair. Reportedly, the opposition parties and the State legislatures were not consulted. More important, throughout the months of straightening-out inside Congress, the public either knew nothing about it or was unusually misinformed and vague on the subject.

There are exceptions, of course, but most people do not seem to have realised until very late that the Bill would not end reservations, and that in all the new reserved constituencies the Harijans would be a definite minority of the electorate. This in spite of a statement by the Election Commission that "in most cases" the Harijans in reserved single-member constituencies "would form less than 10 per cent of the total population." Once this was clear, press opposition to the Bill, and to reservation itself, stiffened considerably, but that was after Congress had decided to vote the Bill.

Disquieting Reaction

As the facts become known and the constituencies are bifurcated, the reported reaction of the general public, though natural enough, is disquieting. The non-Harijans in the new S C constituencies resent the new system on the ground that they, the majority, will be practically disenfranchised by being pre-

vented from setting up or voting for a candidate of their own. Now, they say, they will be forced to accept a representative of the backward minority as their MP. The crucial question is not whether these assertions are just, but how widely they will be accepted and acted on. It is now feared that the new system will produce widespread indifference to the elections on one side, an eventual demand for separate electorates on the other, and spoil whatever chance reserved seats may have for integrating the body politic. It may do that.

But it need not. There is some hope. Whatever its defects, the system will at least require politically interested Harijans and non-Harijans of the same party to work more closely with each other than they have heretofore. The Harijan candidates will be anxious, if only in their own self interest, to prove to the non-Harijan voters that they can represent the whole constituency well. If the non-Harijans are willing to take this in good faith and give it a try and, in course of time, find that a Harijan MP is not so bad after all, then the Harijans can gain the confidence really to "stand on their own legs" without reservations. If this can happen during the next ten years, then single-member constituencies may prove a blessing in disguise and make the transition from statutory to conventional representation a smoother one. These are big "ifs".

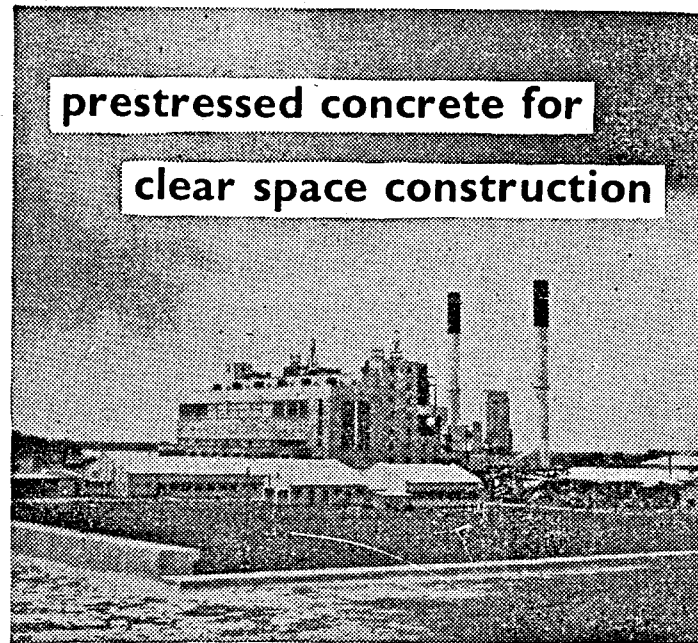
Conclusion

The two trends of special treatment — toward abolition and toward expansion or consolidation — seem to be coinciding more and more with the two main types of concessions. For all concessions which involve expenditure by Government, the policy gaining momentum is to shift to economic rather than caste criteria, either directly or by way of first applying economic limits within the caste groups. The shift to need concessions is neither so obvious nor so appropriate a way out for reservations and their related concessions. Here, the reduction of caste lists may be useful, but the full solution is more difficult to find and the political pressures are the greatest. Here too, three developments during 1961 —

Mysore's expansion of OBC reservations for admission to technical institutions, albeit in more refined form, the establishment of single-member reserved constituencies without adequate public preparation, and the Supreme Court's en-

dorsement of reservation for promotions in Government service — may not augur well for the abolition of special treatment in ten years' time.

(Concluded)



prestressed concrete for clear space construction

Durgapur Thermal Power Station

Prestressed Concrete Plank Roofing was adopted for the Durgapur Thermal Power Station because of its lightness thus reducing the cost of the foundation and superstructure. It also made rapid construction possible.

A conventional cast-in-situ roof was ruled out because of the unusual height between roof and floor.

The roof area covered was 50,000 sq. ft. The job was completed in about twelve months.

An additional feature is thermal insulation with foam concrete blocks.

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From the Chair

The Delhi Cloth & General Mills Co, Ltd, Delhi

THE following is the speech delivered by Lala Bharat Ram, Chairman, Delhi Cloth & General Mills Co, Ltd, Delhi, at the Annual General Meeting of share-holders held on 3-11-1961 in the office of the Company at Bara Hindu Rao, Delhi: Ladies & Gentlemen,

With your permission I will take the Accounts and Directors' Report as read.

As you will observe from the Balance Sheet, the financial results of the Company have been better than in the last year which naturally is a matter of satisfaction for all of us.

The cotton mill industry this year also has had a good year as far as profits are concerned. However, I would like to mention certain aspects of the cotton textile industry.

Costlier Cotton

Last year due to the heavy imports of American cotton, the cotton situation quantitatively was easier than in the year before last, but the industry had to use a much more expensive cotton than the local cotton for the same counts of yarn, which added to the cost of production. With the increased consumption of cotton in the existing industry and also in the Third Plan period when, it is visualised, nearly 4 million spindles would be added, I feel the cotton situation is going to be very difficult in the years to come. On the basis of 9,300 million yards of cloth production and 2,250 million lbs of yarn, as visualised in the Third Plan, 14.50 lakh more bales of cotton would be required. The planners have, of course, expressed the hope that our cotton production will keep pace with the demand, but I cannot but feel rather pessimistic about our attaining this increased production of cotton. In the Second Plan period it was planned that cotton production would go up to 55 lakh bales. But it has remained stagnant around 45—48 lakh bales and, in fact, in the year 1959-60 production went down to as low as 37 lakh bales. We will, in case of shortfall, thus have to import large quantities of cotton.

This stringency in cotton is bound to increase the cotton prices in India, which in turn will affect the cost of production and our export trade. One of the main advantages India had in the exports of textiles was its cheap cotton, but today this position does not hold good. Even today the exports of textiles from India are falling. The exports in 1959-60 were worth about 69 crores of rupees, and in 1960-61 had dropped to only 62 crores. The tendency even now for the exports of textiles is on the decline.



Lala Bharat Ram

What I said earlier about the disquieting trend in raw material cost applies, with equal force, to labour cost, the other main element in textile costs. Labour costs in the textile industry are continuously moving up, sometimes because of increase in dearness allowances, which comprise between one-half to two-thirds of the total emoluments of the worker, and sometimes due to other wage increases as happened after the Wage Board recommendations in 1960. While according to the Wage Board recommendations the industry has given the wage increases, labour, on the other hand, has not played its part in helping rationalisation which was visualised by the Wage Board. The net result, of course, is to add to the general upward pressure on wage cost.

Only if these two main items of costs, i.e., cotton and labour are kept down, we may be in a position to become competitive in the world markets. Nevertheless it is a matter of satisfaction to us that the textile exports of the D C M have not been allowed to go down in spite of the general set-back.

Another very serious problem, which is threatening the whole of the cotton textile industry, is the menace of the powerlooms. The powerlooms pay a very small excise duty. And apart from the fact that they pay a very small amount of excise duty, thousands of unauthorised powerlooms have come into production. This situation with regard to powerlooms is not only hurting the mills but also the handloom sector without increasing the employment potential, which is one of the basic arguments for keeping the handlooms as an important sector of our economy. Policies were designed by the Government to protect the handloom sector such as restrictions on new loomage in the mills and reservation of varieties of cloth. But the experience of the last few years has been that instead of helping the handlooms, the powerlooms are becoming a problem for both the handlooms and the mills. While the mill industry places the incidence of unauthorised looms at a much higher level, even a recent Government survey has shown that these unauthorised looms are at least 66% as numerous as the looms registered with the Government, making a mockery of the statutory provisions for registration.

In the context of this unsatisfactory situation I feel that the Government must take active steps to see that the powerloom industry is not allowed to run counter to the Government's own policies.

Problems of Sugar Industry

Coming next to the sugar industry in which your Company is again interested, it is unfortunate that it continues to suffer from one problem after another. Today there is a great problem of very large surplus stocks of sugar for which there is no market. Although the Government is putting a restriction on output in the year 1961-62, and also imposing a stiff penal excise duty on production beyond the restricted level, I am still not sure that the sugar industry will not be facing a near crisis in the next year unless it is possible to export a sizable

November 18, 1961

quantity from India or unless cane prices are so adjusted as to materially bring down the costs, and therefore prices of sugar whereby internal consumption would increase.

In fact, whether it is the question of the prices of sugarcane or cotton, the main point, to which I also made a reference last year, is that unless and until the productivity in agricultural fields is going to be increased, we shall continue to face high costs and high prices, which, in my view, would have an adverse effect on the whole of our economy.

Fluctuation in Oilseed Prices

As you know, one of the major activities of your Company is the production of edible fats i.e. Vanaspati, and in this field, we are one of the largest manufacturers in the country. The prices of the finished product, and the profitability of the industry continue to be highly erratic on account of the increasing element of speculation in the oilseeds and oils trade. The fluctuation in prices of oils between one part of the year and another have been of an order exceeding 30% at times. It will be appreciated that such violent fluctuations in raw material prices must inevitably lead to similar fluctuations in the prices of the end-product. This situation has been causing considerable worry to the edible fats industry, as these violent fluctuations are not in the interests of either the consumer, or the farmer, or even of the normal trader, but only of the speculator. There is definitely a need for the Government and the industry to take stock of this situation and to take such steps as are possible for minimising the impact of these unhealthy trends.

Before I close, I am sure, you would be pleased to know that in keeping with the past policy of diversification and expansion of the enterprises in your Company, it has been decided by your Board to put up a P V C Plant with its ancillary products like chlorine, calcium carbide and caustic soda, as also a Plant for the manufacture of Rayon Tyre Cord, both yarn and fabric. Both these are large projects involving very large investment. In addition to these two

large projects, renovation, modernisation and, in certain fields, expansion are continually going on.

Before I close, I am sure you will join me in conveying my thanks to all my colleagues who have been responsible for the satisfactory results and also express confidence in their ability to shoulder responsibilities in the future development of the Company.

With these words, Ladies and Gentlemen, I move that the Directors' Report and Accounts be adopted.

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

THE ECONOMIC WEEKLY

D G S and D Purchases from Small Scale Industries

PURCHASES of products of small scale industries by the Directorate General of Supplies and Disposals, Government of India, rose to Rs 6.46 crores in 1960-61, representing an increase of 50 per cent over the previous year. A major part of these purchases was free of price preference. To encourage small scale industries the Directorate is planning to increase the number of articles reserved for purchase exclusively from them from 27 to 44.

The Directorate's purchases from all sources in 1960-61 reached an all-time record of Rs 222 crores.

THE ECONOMIC WEEKLY

Around Bombay Markets

Ceiling on Groundnut Futures

Thursday, Morning

TRADING in oilseeds futures, which had been suspended since 28th October under a directive from the Forward Markets Commission, was resumed from 6th November under certain restrictions. Maximum prices were fixed for groundnut and groundnut oil futures, which included transferable specific delivery contracts, at Rs 215 (per 250 kgs) and Rs 17.65 (per 10 kgs) respectively. In addition, the Commission ordered the postponement until further notice of outward payments in respect of transactions in groundnut and groundnut oil contracts. In its Press Note permitting resumption of futures trading the Commission says that "the closure of the markets during the past week would appear to have had a salutary effect in arresting the gathering bull movement. Further, the new crop, which is currently estimated by the trade to be much larger than that of last year, has started moving in some parts of the country and in order to assist the marketing of the same, the Commission has decided to open the recognised forward markets with effect from Monday (6th November.)" The Commission's note sounds amusing. Surely, bull movement could not be expected to gather momentum when futures trading had been suspended, particularly when the authorities now keep a strict watch over kerb activity. And judged by price movements, the market stood where it was at the time of suspension of trading with groundnut January quoted around Rs 209. If the resumption of hedge trading is intended to assist the orderly marketing of the crop, there seems little meaning in prescribing a ceiling of Rs 215 per 250 kgs. for groundnut. Surely, the crop cannot be marketed at below that price. Spot groundnut is already quoted around Rs 230.

Sanctity of Contract

The Commission's decision to fix the ceiling for groundnut futures at 215 when the contract had touched a high of Rs 225 on the very first day of its opening on 7th July makes

utter nonsense of the sanctity of contract. Why should the traders who purchased groundnuts between Rs 216 and 225 and have kept their purchases alive, by passing the differences, be made to lose by the Commission's arbitrary decision to fix the maximum price at Rs 215. It is unwise to fix a ceiling price lower than the highest prices recorded during the currency of the contract concerned. Of course the Commission is known to have done worse things in the past. That is precisely why the Commission today is more dreaded than respected.

Restrictions on futures dealings in groundnut and groundnut oil have not had any noticeable effect on their prices. After a temporary setback from Rs 209.62 to Rs 205.62, groundnut January contract was up again at Rs 210.62 on 15th November and groundnut oil January which had receded from Rs 17.20 to Rs 16.95 recovered to Rs 17.30 per 10 kgs by the week-end. Perhaps the only visible effect of restrictions on trading in groundnut and groundnut oil has been to divert speculative activity to other counters. Traders reported a marked increase in turnover in castor, linseed and cottonseed futures and their prices have recorded impressive gains over the week. Castor March which had been sold down to Rs 157 on 13th November advanced sharply to Rs 163.50 on the 15th. During the same period, cottonseed January improved from Rs 99 to Rs 104 (per 250 kgs) and linseed March from Rs 36.53 to Rs 38.44 (per 50 kgs). The rise in cottonseeds reflects mainly the remarkable strength in cotton. And the bullish fervour in linseed seems due as much to the scarcity of stocks as to the strength in rapeseeds which have continued to rise despite heavy margins. The rise in linseed oil prices has further widened the disparity between Indian and world prices to around £28 per ton. Castor futures have firmed up despite the disappointing castor oil export performance. Among oils, only castor oil had been saleable abroad but of late export of castor oil also has

dwindled to a mere trickle. Brazilian castor oil has not only ousted Indian oil from the US market but it has begun to offer stiff competition even in the UK market where Indian oil enjoys preferential treatment.

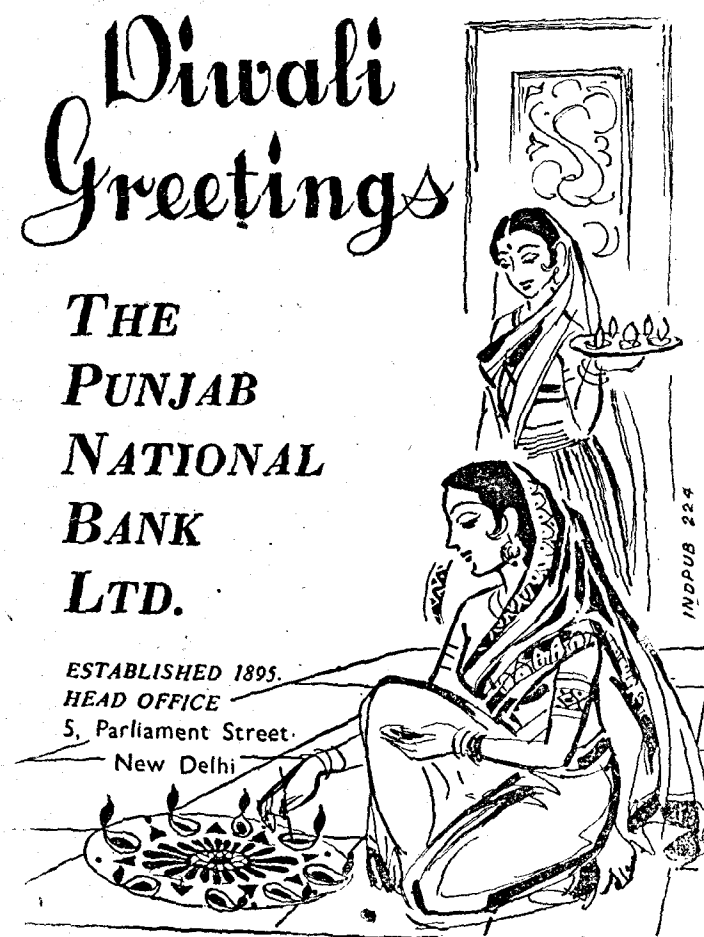
Exports at Standstill

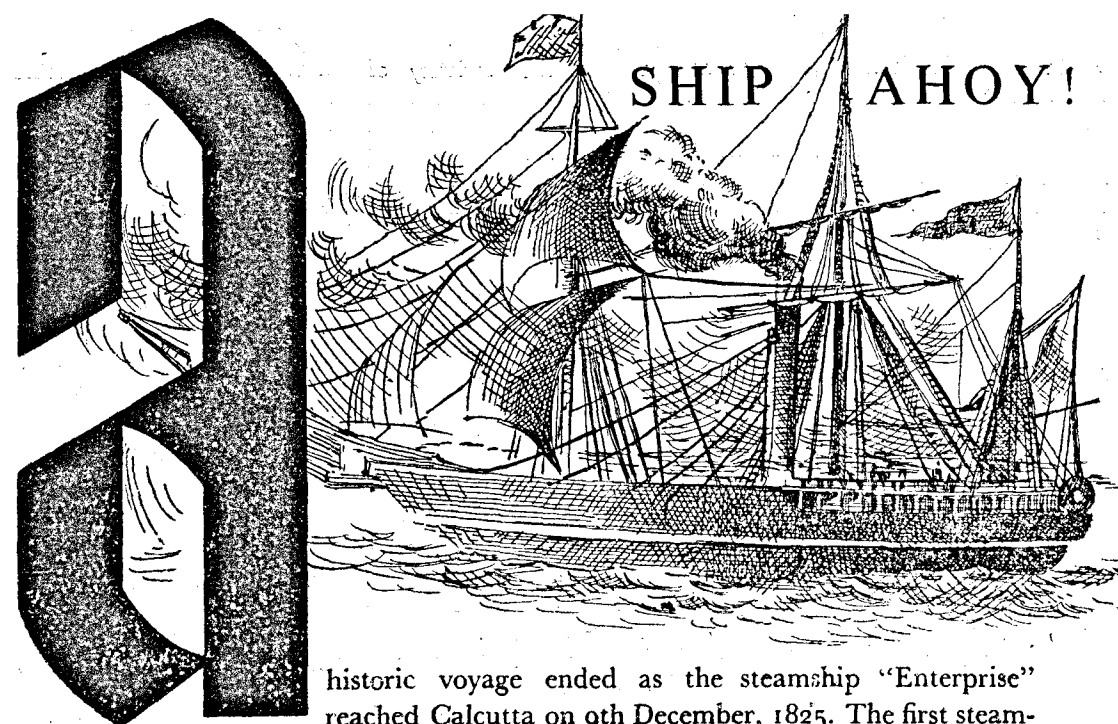
Export houses did not report any important business in any item last week. Inquiries persist in groundnut HPS and expellers but business cannot be put through for want of export quotas. Indian linseed cake is simply not wanted by the overseas buyers due to lack of confidence in the quality of the Indian cake. It is indeed time that the Government took positive measures to guarantee the quality of Indian linseed cake to restore the confidence of overseas buyers. Only groundnut extractions had been faring well this year but since recently business in groundnut extractions has also declined quite appreciably. Although overseas prices have been showing a firm tendency, the rise in domestic prices is said to have made export business unremunerative. The latest UK prices of groundnut extractions are mentioned around £31 per ton for November shipment, £30-10 for December and £28-5 for January-March shipment. Inquiries with the trade indicate that the UK, Holland and Hong Kong have purchased some groundnut oil from India subject to guaranteed licences which suggests that the State Trading Corporation is already in the market.

Cotton

Futures up Despite Margin

ON Monday night (13th November) the Forward Markets Commission announced the imposition of special margins in respect of the cotton hedge contracts in all the recognised markets in the country. But the March contract in Bombay closed above the margin limit of Rs 645.50 per 3 quintals the very next day. And on Wednesday, the contract rose to a new high of Rs 652.75. It is not that the margin is light. Far from it. There is to be no free limit and bulls have to





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.

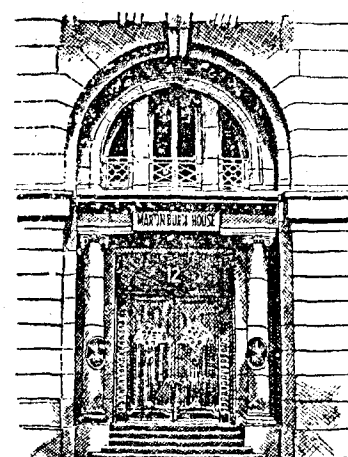
Among the oldest and best known marine and general engineering firms in the country, a privately-owned concern known as Reid & Company's Hooghly Dock (founded 1819), the forerunner of The Hooghly Docking & Engineering Company Limited, was already flourishing before the introduction of steam to India.

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pay margin at the rate of Rs 3,000 per unit of trading (30 candies of 3 quintals each) at above Rs 645.50 and the margin is to be doubled at above Rs 665.50. The margin is sufficiently heavy to eliminate the small fry leaving big professional operators to exploit the market.

That cotton futures should have risen to a new high level despite the introduction of special margins will intrigue only the Forward Markets Commission which is unwilling to learn from its past experience that margins can, at best, have some restraining effect on the volume of speculative activity but they cannot exercise any effective check on prices. The futures market's performance could not, however, have been any different in face of the growing strength in the spot material. Only Vijay, Digvijay and Bengal Deshi are quoted a little below the ceiling rates; all other varieties are commanding premiums ranging from Rs 10 to Rs 50 per candy. The crop movement is still very slack excepting in the Punjab, while mills continue to evince good interest. Mills are reported to be willing to take up anything that is offered them without much consideration for the price. They are in no mood to invoke the Textile Commissioner to enforce the Price Control Order. It is surprising that the authorities should not have cared to introduce compulsory survey when prices are known to be quoted substantially above the ceiling.

In its Press Note on special margins, the Commission says that "the forward prices of cotton have risen appreciably during the past few weeks despite the note of caution issued by the President of the East India Cotton Association a month ago emphasising the responsibility of the trade in ensuring the prices did not rise too steeply . . ." But speculators can scarcely be blamed for the rise in futures when spot cottons are quoted at above the ceiling rates. Notwithstanding the recent rise in prices, the hedge contract is still quoted substantially below its ceiling rate of Rs 693.

Spot at Ceiling

One wonders why the Commission is so much obsessed with the rise in futures when the spot material is known to be enjoying a size-

able premium over futures all the time. When speculative activity is quite normal, the Commission would have done its duty if it could tell the Government that the rise in prices is not due to excessive speculation but it only reflects an imbalance between demand and supply. For there is little that the Commission can do to help make available the spot material cheaper. When cotton prices tend to keep above the statutory ceiling rates it becomes the duty of the Textile Commissioner to enforce strictly the Price Control Order through compulsory survey and distribution control. Unfortunately, in the past, cotton control order has been honoured more in breach than in observance.

A word about Shri Madanmohan R Ruia's statement on the Forward Markets Commission's decision on special margins seems necessary. It is really amusing that the EICA chief should have described the Commission's decision as "somewhat surprising" because only about a month ago he had himself warned the trade that the Commission was much concerned about the rising trend in cotton futures. The March contract was then quoted around Rs 632. Of course, his view that the rise in prices cannot be said to be unwarranted by the statistical position of cotton will be widely shared. But the difficulties in the marketing of ready cotton on account of reduced hedging facilities as a result of margins can be greatly exaggerated. When spot prices keep above the ceiling, the problem is not that

of marketing the crop but that of enabling the mills to secure their supplies at the ceiling rates. Whether or not it is proper to have control on cotton prices is a moot point. It is possible to make a strong case for raising the ceiling prices in order to bring about a healthier price relationship between different crops.

Stock Exchange

Around Year's Best

DALAL STREET last week took a big leap forward and came very close to the year's high recorded early in June. Gains were widespread and spectacular, with quite a few counters rising to new high levels for the year. The performance of cash shares was even more impressive than that of cleared securities. There was a marked increase in turnover and the market seemed well set for scaling a new peak. Vyapar's equity share index which stood around 144.40 on 10th November rose to 149 on the 15th which takes it within a striking distance of its year's best of 150.83 recorded on 7th June. Wednesday's closing was a little lower at 147.92 due to corrective profit-taking. The new issue index which had risen from 90.54 to 94.72 between November 1 and 10 improved further to 98.75 on 14th November, which is not far away from its year's high of 100.58 recorded on 11th March.

There was nothing particularly exciting in the week's news to explain the sudden spurt in equity

	Important Price Movements in Shares				
	1960 Highs	1961 Jan Lows	June-July Highs	August Lows	Recent Highs
Bombay Dyeing	72.70	58.50	71.90	64.60	69.80
Century	544.00	446.00	740.00	643.00	C R 619.00 X R
Kohinoor	372.00	259.50	327.00	277.00	326.00
Svadeshi	286.00	218.50	287.50	243.50	285.75
Standard	2,100.00	957.00	1,585.00	1,100.00	C R 1,228.00 X R
Indian Iron	26.55	23.00	28.70	24.04	25.95
Tata Steel	164.50	138.00	167.00	140.75	151.00
A C C	152.50	143.25	168.50	156.25	171.25
Hindustan Motors	23.64	18.68	23.68	17.68	21.56
Bombay Burmah	658.00	539.50	666.50	571.00	713.00
National Rayon	617.00	461.50	591.00	507.00	585.00
Tata Engineering	349.00	278.00	390.00	325.50	383.50
Volta	307.00	247.00	319.00	271.50	316.00
Scindia	17.40	14.20	15.56	12.00	13.32

Century Right = Rs 125

Standard Right = Rs 400

1743

at Rs 418.84 lakhs consist of a paid-up capital of Rs 250 lakhs and reserves and surplus of Rs 168.84 lakhs.

West Coast Paper's Profit Drops

AN increase of 1.5 per cent to 7.5 per cent in the dividend on ordinary shares has been recommended by the directors of West Coast Paper Mills for the year ended June 30, 1961, following the maiden distribution made last year, in spite of the drop in earnings. This is evidently due to the fact that the lower net profit adequately covers the higher dividend distribution. It is, nevertheless, a matter of some concern to the shareholders that no addition to the reserves has been made.

The gross profit of the company has declined from Rs 112.30 lakhs earned in 1959-60 to Rs 105.77 lakhs. The provision for depreciation and development rebate has been raised from Rs 83.26 lakhs to Rs 87.33 lakhs, leaving a net distributable profit (including a small surplus brought in from last year) of Rs 18.98 lakhs, against Rs 28.74 lakhs, whereas last year a sum of Rs 19.23 lakhs had to be paid out as preference dividend including the arrears for four years, the absence of any such heavy burden—the preference dividend for 1960-61 requires only Rs 6.53 lakhs—has enabled the directors to recommend a higher distribution on the ordinary shares. As in the previous year, no addition is being made to the reserves; almost the entire profit available for distribution is being utilised to pay the dividend on ordinary and preference shares.

The company's production of paper has increased from 22,461 metric tons (in 1959-60) to 25,771 metric tons, but the reduction in paper prices from January 1, 1960 which has been effective for a full year, has been responsible for the drop in the profit for the year under review.

Indian Hume Pipe Broadens Activities

THE decision of the directors of Indian Hume Pipe to repeat the dividend at 13 per cent, albeit on a higher capital, for the year ended June 30, 1961, does not fully reflect the very encouraging results achieved by the company during the

year. Thanks to the large contracts secured by the pre-stressed concrete pipe division and the opening of two more factories, one in Gujarat and the other at Hyderabad, the turnover has grown from Rs 2.32 crores to 2.60 crores and the gross profit has recorded a 51 per cent increase from Rs 37.87 lakhs to Rs 57.12 lakhs.

The rise in net profit is not of the same order as that in the gross profit, being only Rs 3.03 lakhs—from Rs 14.54 lakhs to Rs 17.57 lakhs. This is because of the larger statutory allocations that have been made. The provision for depreciation absorbs Rs 5.49 lakhs more at Rs 13.95 lakhs, and tax liability, which claims the largest share of the gross profit at Rs 21.75 lakhs, is higher by Rs 9.75 lakhs. The managing agents' remuneration amounts to Rs 3.85 lakhs, against Rs 2.88 lakhs.

The bulk of the increase in net profit is absorbed by the dividend on a higher ordinary capital. While the distribution on preference shares is unchanged at Rs 2.50 lakhs, the ordinary dividend amounts to Rs 7.80 lakhs, against Rs 5.63 lakhs.

In addition to the manufacture of concrete pipes for city water supply, the company has lately undertaken the manufacture of steel penstocks and concrete poles in collaboration with the Swiss firm, Giovanola Brothers. It has secured contracts for supply and erection of penstocks and concrete poles for the Koyna hydro-electric project and for the first stage of the Saraswathi hydro-electric project of the Government of Mysore.

To finance its expanding activities, the company proposes to issue further capital. The authorised capital is to be raised from Rs 1.10 crores to Rs 5 crores by the issue of 390,000 unclassified shares of Rs 100 each. The company has also made an application to the Controller of Capital Issues for permission to issue debentures of the value of Rs 50 lakhs, carrying interest at a rate not exceeding 7 per cent.

Cooper Engineering Maintains Dividend

NOTWITHSTANDING higher turnover and larger earnings, Cooper Engineering proposes to maintain the distribution to the share-

holders for the year ended June 30, 1961 at 13 per cent, including a bonus of 3 per cent. This is because almost the entire increase in net profit has had to be utilised to make a larger provision for the development rebate reserve.

The turnover of the company has increased from Rs 2.03 crores to Rs 2.10 crores and the gross profit from Rs 29.42 lakhs to Rs 32.63 lakhs. The net profit too has risen from Rs 10.64 lakhs to Rs 13.60 lakhs, after increasing the allocation to depreciation from Rs 4.82 lakhs to Rs 9.35 lakhs and reducing the provision against tax liability from Rs 11.50 lakhs to Rs 7.50 lakhs on account of the larger development rebate benefit which is indicated by the increase in the transfer to the development rebate reserve from Rs 2.99 lakhs to Rs 5.92 lakhs. The other reserves have been strengthened by Rs 2.47 lakhs, against Rs 2 lakhs added last year.

The company's earning capacity is bound to enlarge further when the expansion schemes take shape. Collaboration agreements have been signed with a German firm for the manufacture of single column vertical turret lathes and horizontal boring machines and with a British firm for setting up a new pattern shop. The company also proposes to manufacture automatic looms with foreign collaboration. It has received a licence for the manufacture of 600 automatic looms per annum and another for 500 high-speed diesel engines per month.

In order to finance its expansion programmes, the company issued during the year under review 45,200 new equity shares of Rs 100 each at a premium of Rs 25 per share. It has obtained sanction to issue debentures of the value of Rs 50 lakhs carrying interest not exceeding 7 per cent and redeemable after 30 years.

Sober Assessment of Outlook for D C M

WHILE the policy of diversification and expansion in the last few years has been a source of strength to the Delhi Cloth and General Mills and has been responsible for the sustained improvement in its working, any optimism about the outlook for the company has to be tempered by a proper assessment of the adverse factors which

are likely to affect the individual industries in which D C M is interested. Lala Bharat Ram, Chairman of the company, has dwelt at length on these problems in his speech at the annual general meeting held a few days ago. He is of the view that the continued stringency in cotton is bound to increase the price of cotton which in turn will affect the cost of production and the exports of cloth further. The general upward pressure on wages, following the implementation of the Wage Board's award in the absence of any degree of rationalisation, will, he feels, affect further the competitiveness of Indian cloth abroad.

In case of the sugar industry also, the problem is one of raw materials. Lala Bharat Ram feels that the industry is not unlikely to face another crisis in the current year, in spite of the restriction on output, unless sufficient quantities are exported or cane prices are reduced to bring down sugar prices and stimulate internal consumption.

Manufacture of vanaspathi is one of the major activities of D C M and here also the prices of finished product and profitability are highly erratic, on account of the speculation in oilseeds and oil trade. It is not surprising that such trends cause considerable worry to producers of edible oils. The future of the industry depends on the steps taken to minimise the impact of these trends.

In the case of D C M the effect of these adverse factors is likely to be minimised, if not more than made good by further diversification and expansion into plastics and rayon tyre-cord.

Khandelwal Udyog

KHANDELWAL Udyog, Bombay, have concluded a technical collaboration arrangement with Iug F Ferre and Co, of Italy, for the manufacture of industrial furnaces. When in full production, the furnaces department of Khandelwal Udyog will manufacture electric and combustion furnaces worth Rs 25 lakhs per annum to meet the growing needs of the engineering and metallurgical industries.

Ferre and Co are one of the leading furnace manufacturers of Italy and their equipment is manufactured in European countries.

A Decade of Colombo Plan

THE success of the Colombo Plan in providing financial and technical assistance to South and South-East Asia is indicated in a report published recently.

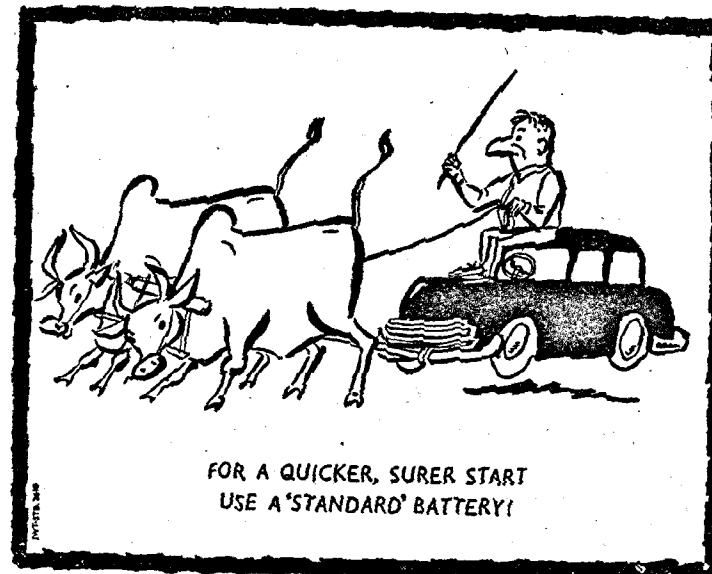
Total cost of technical cooperation under the Colombo Plan since it was started 10 years ago is estimated at £ 66 million. Experts and consultants numbering 3,155 visited the countries of South and South-East Asia to undertake technical assignments; 19,533 trainees from the region were able to gain new skills or to develop those they already possessed; and equipment valued at over £ 20 million was sent to countries of the region.

The report does not deal with national development plans of the region and capital aid from outside the region, which form part of the Colombo Plan as a whole. The Plan's Consultative Committee,

which is currently meeting in Malaya, will deal with all these aspects.

The report mentions that during the last year the exchange of technical assistance between Colombo Plan Governments continued to expand. Total expenditure on Colombo Plan technical co-operation during the year was about £ 20.2 million compared with £ 16.9 million in 1959-60.

The report comments that technical cooperation has "been a means of sharing scientific knowledge and technical skill in the best way that they can be shared — by personal contact and the exchange of experience. Dividends from this investment will continue to enrich the region for many years to come, not only in the form of social and economic advancement, but also in international understanding and goodwill".



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CURRENT STATISTICS

BANKING RETURNS

(Rs crores)

Reserve Bank	Nov 10	Nov 3	Oct 13	Nov 11
1 Note circulation	1946.53	1904.26	1906.13	1827.22
2 Rupee coin	121.92	124.65	125.55	128.89
3 Deposits	300.17	301.10	294.27	262.54
(a) Central Govt	65.40	62.86	61.07	53.61
(b) Other Govts	10.22	17.66	3.98	14.86
(c) Banks	77.65	74.17	82.10	105.09
(d) Others	146.90	146.42	147.12	88.98
4 Foreign securities	116.86	116.86	116.86	123.01
5 Balance abroad	25.74	20.53	10.02	13.10
6 Rupee securities	1608.84	1558.86	1558.86	1472.06
7 Investments	150.99	200.84	181.71	223.04
8 Loans and advances to Govts	65.85	63.97	63.37	34.81
9 Other loans and advances	154.70	141.32	136.18	125.99
Scheduled Banks	Nov 3	Oct 27	Oct 6	Nov 4
1 Aggregate liabilities	1882.79	1887.70	1871.15	1898.47
2 Aggregate deposits (net)	1804.87	1809.38	1793.19	—
Demand (net)	725.02	731.43	717.45	770.67*
Time (net)	1079.85	1077.95	1075.74	1127.80†
3 Cash in hand	50.83	50.53	45.62	47.00
4 Balance with Reserve Bank	73.37	81.41	74.92	104.60
5 (3) + (4) as % of (1)	6.60	6.99	6.44	7.99
6 Borrowings from Reserve Bank	16.52	6.49	16.40	22.63
(a) Against usance bills and/or promissory notes	7.77	2.51	7.83	5.82
(b) Others	8.76	3.98	8.58	16.80
7 Advances	1043.13	1040.29	1056.66	953.65
(a) State Bank	227.33	226.52	233.67	201.46
(b) Others	815.80	813.77	822.99	752.19
8 Bills discounted	138.21	138.52	129.92	105.30
(a) Inland	47.63	46.36	47.39	49.10
(b) Foreign	185.84	184.88	177.31	154.40
(c) Total	13.09	12.32	10.90	12.66
(i) State Bank	172.75	172.56	166.41	141.74
(ii) Others	65.27	64.90	65.95	58.37
9 (7) + (8c) as % of (1)	65.27	64.90	65.95	58.37
10 Investments in Govt securities	630.73	624.93	611.65	698.69
(a) State Bank	271.44	266.35	254.28	345.68
(b) Others	359.29	358.58	357.37	353.01
11 (10) as % of (1)	33.50	33.11	32.69	36.80
Chèque clearance	244.91	199.99	191.63	213.73
* 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 cent per annum)

(Selected Scheduled Banks other than the State Bank)	Nov 3	Oct 27	Oct 6	Nov 4
Call Money from banks	3.98	4.66	4.43	4.42
Deposits:				
Seven days	3.00	3.00	3.00	2.00
Three months	—	—	3.50	3.50
Six months	3.75	3.75	3.75	3.35

Bombay Bullion (Rs and nP)

	Nov 16	Nov 10	Oct 19	Nov 17
Gold (per 10 grams)				
Spot	123.55	124.35	124.95	114.75
Forward	124.30	124.60	125.10	115.60
Silver (per kilogram)				
Spot	204.20	207.10	205.50	195.25
Forward	209.70	208.10	206.10	196.75

INDEX NUMBER OF WHOLESALE PRICES

(Base : 1952-53 = 100)

	Week Ending	21.10.61	14.10.61	23.9.61	22.10.60
Food Articles		121.3	121.1	120.4	121.4
Cereals		103.4	103.0	103.0	105.7
Pulses		91.2	90.3	88.7	94.7
Fruits & Vegetables		148.3	143.1	145.5	116.1
Milk & Ghee		117.4	121.2	116.0	114.3
Edible Oils		146.3	146.0	154.2	152.9
Fish, Eggs & Meat		133.3	135.8	131.9	127.8
Sugar & Gur		121.3	116.9	123.3	135.7
Others		182.2	182.9	171.5	173.3
Liquor & Tobacco		99.5	99.5	99.5	119.0
Tobacco		96.0	96.0	96.0	118.1
Fuel, Power, Light & Lubricants		121.6	121.7	121.5	119.9
Industrial Raw Materials		132.7	136.3	138.3	148.7
Fibres		123.9	127.7	129.3	162.9
Oil seeds		145.7	150.9	155.1	147.9
Minerals		94.8	94.8	94.8	97.8
Others		127.7	127.7	126.4	126.5
Manufactures		126.2	126.2	125.3	125.0
Intermediate Products		140.8	140.5	140.0	130.6
Finished Products		123.8	125.9	122.9	124.1
Textiles		126.7	125.0	125.3	128.0
Cotton		128.2	128.2	127.9	129.0
Jute		119.1	120.1	113.8	138.7
Woollen		123.1	123.1	123.7	110.1
Silk & Rayon		118.6	118.6	118.6	101.7
Metal Products		147.1	147.1	147.1	146.8
Chemical		111.9	111.9	112.0	104.1
Oil Cakes		144.0	144.0	144.2	142.2
Machinery & Transport Equipment		113.8	113.7	113.5	112.1
Others		121.6	121.3	121.3	116.0
All Commodities		124.0	124.5	124.2	126.6

FOREIGN TRADE

(Merchandise Value)

(Rs crores)

	Imports	Exports*	Balance of trade
1961: Aug	71.54	61.36	— 10.18
Jul	69.00	50.74	— 18.26
Apr-Jun	259.17	158.56	— 100.61
Jan-Mar	238.67	165.13	— 73.54
1960: Oct-Dec	216.56	197.44	— 19.12
Jul-Sep	231.43	158.12	— 73.31
Apr-Jun	221.83	145.39	— 76.44
Jan-Mar	207.41	155.28	— 52.13
1959: Oct-Dec	221.84	192.51	— 29.33
Jul-Sep	204.46	145.90	— 58.56
Apr-Jun	243.37	122.13	— 121.24
Jan-Mar	205.62	134.17	— 71.45
1960	905.70	650.48	— 255.22
1959	800.29	620.71	— 179.58
1958	872.81	585.05	— 287.76
1957	1075.82	642.85	— 432.97
1956	808.73	613.46	— 195.27

* Including re-exports

Source: Department of Commercial Intelligence and Statistics, Ministry of Commerce and Industry, Government of India.

PRODUCTION OF IRON AND STEEL

('000 metric tons)

	Tata	Indian Iron	Mysore Iron	Rourkela	Bhilai	Durgapur	Kalinga Industries	Total
Pig Iron:								
Oct	130.1	105.8	—	—	—	—	—	—
Sept	123.9	97.8	—	—	82.6	57.5	—	—
Aug	131.5	—	—	30.8	85.4	64.5	—	—
Jul	134.1	100.4	5.7	25.8	83.8	62.5	2.3	414.6
Jun	131.9	97.0	5.0	30.7	78.6	55.8	2.0	401.0
May	142.3	100.8	5.2	36.7	72.6	54.1	2.7	414.4
Apr	135.4	99.4	4.9	38.6	69.6	59.1	2.9	407.9
Mar	141.7	106.1	5.0	28.1	77.8	62.1	3.0	423.8
Semi-Finished Steel:								
Oct	33.7	—	—	—	—	—	—	—
Sept	28.4	—	—	0.6	13.3	23.9	—	—
Aug	25.1	—	—	0.7	10.8	27.9	—	—
Jul	44.1	15.3	—	—	18.5	19.9	—	97.8
Jun	44.4	17.4	—	—	22.0	17.6	—	101.4
May	48.1	17.4	—	4.9	11.6	21.9	—	98.2
Apr	51.2	10.9	—	14.0	6.5	24.5	—	107.1
Mar	49.8	25.5	—	2.1	28.5	25.2	—	131.1
Finished Steel:								
Oct	79.0	—	—	—	—	—	—	—
Sept	78.6	—	—	16.8	28.4	5.7	—	—
Aug	77.6	—	—	11.2	24.6	6.0	—	—
Jul	64.6	50.6	2.9	3.1	26.4	3.3	—	233.0
Jun	57.6	32.9	3.5	13.1	23.0	3.1	—	225.8
May	58.8	30.8	2.4	12.7	17.9	1.6	—	213.0
Apr	63.5	40.3	2.9	11.5	12.2	1.5	—	227.3
Mar	72.4	59.4	2.9	8.4	12.2	1.2	—	255.5

Note: Break down of production figures is given for the major producers. Total production figures, however, include other units.

Source: Department of Iron and Steel, Ministry of Steel, Mines and Fuel, Government of India.

ELECTRICITY GENERATION AND DISTRIBUTION

(Monthly Average or Calendar Months)

(Million kWh)

Electricity sold

	Domestic	Com-mercial	Indus-trial	Public lighting	Traction	Irri-gation	Public water works	TOTAL
1961: July	1617	129.2	75.2	970.8	15.9	68.1	—	1342.2
Jun	1600	129.6	76.2	941.6	16.2	83.6	—	1326.3
May	1613	127.1	75.4	946.8	16.5	84.1	—	1329.1
Apr	1556	126.1	71.5	908.0	16.5	90.3	—	1288.8
Mar	1596	119.7	71.5	911.4	16.8	86.1	—	1282.7
Feb	1400	115.4	71.6	812.4	16.6	82.4	—	1151.9
Jan	1482	122.8	68.8	863.3	17.0	65.9	—	1216.1
1960: Dec	1508	120.3	71.3	857.3	17.1	70.3	—	1214.5
Nov	1390	119.0	70.4	809.9	16.4	52.0	—	1140.5
Oct	1422	123.6	72.5	786.1	17.2	61.0	—	1134.7
Sept	1378	120.0	76.8	785.2	15.8	36.9	—	1131.7
Aug	1404	119.3	77.4	789.6	16.0	64.0	—	1143.1
July	1331	116.3	76.8	766.7	15.4	55.5	—	1106.0
June	1280	116.5	74.2	753.2	15.3	79.2	—	1113.9
May	1382	116.2	68.5	765.4	15.9	78.4	—	1119.4
Apr	1325	113.6	64.9	745.1	15.1	68.7	—	1031.7
Mar	1324	109.2	63.7	741.9	15.3	66.2	—	1071.0
1960	3873	1369	115.9	769.8	15.8	37.3	—	1111.2
1959	3512	1329	106.5	664.2	14.3	60.0	—	974.9
1958	3223	1031	95.0	550.9	12.9	50.2	—	830.3
1957	3193	903	85.9	488.7	11.5	33.9	—	732.4
1956	2886	805	78.5	427.5	10.0	26.3	—	657.5
1955	2695	716	67.5	382.5	8.2	21.5	—	577.2
1951	1835	488	49.6	254.6	5.7	17.6	—	399.4

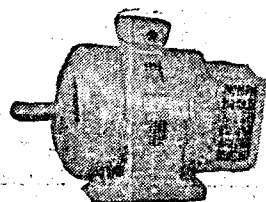
* Thousand kW.

Source: Central Water and Power Commission, Ministry of Irrigation and Power, Government of India.

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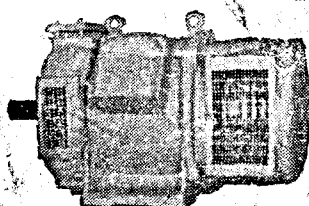
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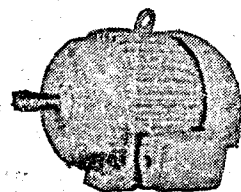
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Slip-ring Motor



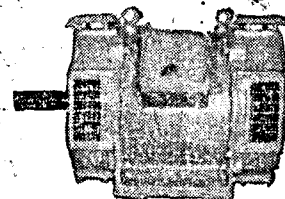
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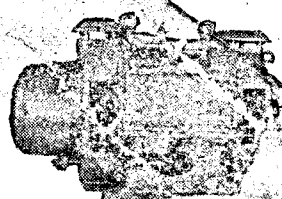
Type GM Screen-protected
Slip-ring Motor



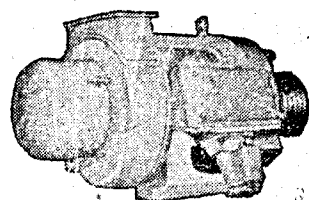
Type 'KZ' Totally-enclosed
Fan-cooled Squirrel-cage
Motor



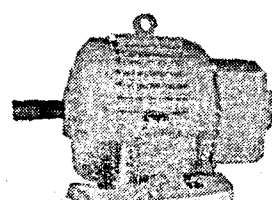
Type GK Screen-protected
Squirrel-cage Motor



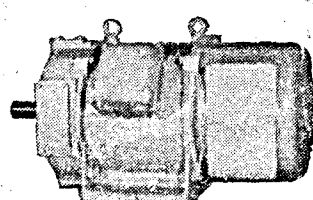
Type RW Screen-protected
Slip-ring Induction Motor



Type RW Pipe-ventilated
Slip-ring Motor



Type MZ Totally-enclosed
Slip-ring Induction Motor



Type GM Totally-enclosed
Slip-ring Induction Motor

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Printed by A Fernandes at New Jack Printing Works Private Ltd., Globe Mills Passage, off Delisle Road, Bombay 13, and
published by him for Asian New Age Publishers Private Limited from 65, Apollo Street, Fort, Bombay 1. Editor : SACHIN CHAT

The Economic Weekly

Journal of Current Economic and Political Affairs

December 2, 1961

Forty-fifth Year of Publication

Volume XIII No 48

Price 50 Naye Paise

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THE ECONOMIC WEEKLY.

65, Apollo Street, Fort,
Bombay.

Telephone : 253406

Annual Subscription : Rs 24

Foreign 40s or \$ 6

Amending Air Corporations Act

WHOEVER in the Communications Ministry had authorised Kalinga Airways to run a regular passenger service between Bombay and Baroda must be in a soup, indeed. To retrace its steps and also to save its face, the Ministry is doing a number of things at the same time. First, the permit given to Kalinga is being withdrawn, and Indian Airlines is to take its place and include Baroda on one of its routes. This could have been the end of the story and this lapse from the accepted and longstanding principle of nationalisation of airways could have been glossed over as a minor matter. For, after all, it is no more than a question of principle, and an infringement of an Act of Parliament in the layman's eyes. There could not be money in running a service between Bombay and Baroda when all the overheads and costs of maintaining such a solitary line is considered.

It is too late for the Communications Ministry, however, to validate—by an amendment of the Act in question—what looks like a flagrant violation, even by asking for power to give it a retrospective effect. That is not what the Communications Ministry has in mind. It has taken its stand on the high question of principle and moved an amendment to the Air Corporations Act in the Rajya Sabha to permit private airlines to operate on those routes in which the Air India or the Indian Airlines—the two public sector air corporations—are not interested “for such period and subject to such terms and conditions” as the Government might determine.

The statement of objects and reasons of the Bill says that as neither of the two corporations is in a position to provide a scheduled service on certain routes, it has become necessary to grant permission to private operators to operate a scheduled service on these routes ‘for a limited period’. Section 18 of the Act, which confers upon the two corporations monopoly for operating scheduled services, is accordingly to be amended.

The Bill was rushed through the Rajya Sabha and is now before the Lok Sabha, which will, of course, in due course and with despatch, pass the measure. The Deputy Minister for Civil Aviation denied the charge that the Bill offended against the Industrial Policy Statement and said that the resolution had a proviso, by which “existing operators in air transport need not be disturbed.” That all the existing operators in air transport were not only disturbed but made to fold up when the Act came into force in 1953 is not perhaps for him very relevant. The attitude of the Government on industrial policy has, of late, been somewhat pragmatic. Relaxations have been permitted in several cases and perhaps a case can be made out for a relaxation in air services also. Surely, the Deputy Minister would not argue that the exception made in the case of Kalinga Airways is also covered by the proviso in the Industrial Policy Statement, to which he referred, and by the relevant section or sections of the Air Corporations Act?

From published reports all that one can gather is that there is a crippling shortage of aircraft on the Calcutta-Assam and Calcutta-Tripura routes, and the shortage is naturally much greater for freight—air being the only form of transport both for men and goods to Tripura and, very

largely so, at least for passengers for Assam. Indian Airlines have not been able to keep up the supply of aircraft needed to move goods on that side. It would be surprising, considering the demand and profitability of non-scheduled operations, that there would be much idle aircraft capacity in the country. There would be no harm in utilising such capacity, wherever it may exist. But that is not, however, the way in which the Communications Ministry has been looking at the problem.

Time to Act

THE two recent incidents, involving an Indian steamer and a fishing craft, in which an Indian fisherman was killed and an officer of the steamer injured by bullets fired from the Portuguese-held island of Anjadev, draw pointed attention to the arms build-up which has been going on in Goa during the last few months. It is known, for instance, that in addition to the normal force of soldiers maintained at the India-Goa border, some 2 500 Portuguese soldiers have been brought to Goa to strengthen the border guard. The Portuguese naval squadron in Goa is also known to have intensified coastal patrolling.

After the first incident involving the s s Sabarmati, when Members of the Lok Sabha raised the question of ensuring safety of shipping in Goa waters, Pandit Nehru ridiculed the suggestion that the Government should provide armed convoys to protect Indian vessels. It is not difficult to appreciate that armed convoys can be no protection against stray rifle-shots fired from a tiny island. The Government, it is now learnt, has instructed the steamship company concerned to alter its usual course so as to avoid the Anjadev island. The fishermen who ply their boats in the waters near the island have also been asked to keep off Anjadev.

Considering that Anjadev is only two miles off the coast of Karwar and is therefore, well within India's territorial waters, the Government's decision to ask Indian ships to keep off the island is understandable only if it is assumed that the Government is preparing to take other

There is an interesting side issue. How did the Indian Airlines come to replace Kalinga on this Baroda route? It is reported—and there is no reason to disbelieve the report—that the Indian Airlines Corporation lodged a protest when this route was given to Kalinga and, finally, got it for its own. This goes to show that in the Communications Ministry the right-hand does not know what the left-hand has been doing.

steps to make the waters of Goa safe. There is, of course, the expected spate of criticism which cites the Government's inaction on the Chinese border to draw the conclusion that it will do nothing against the Portuguese aggressor either. But this is to ignore the very material difference between our military positions on the northern border and in Goa. There is sound sense in the Prime Minister's statement in the Lok Sabha on Tuesday that though India was carrying out an organised military build-up on the Chinese border, the country must wait for the completion of the necessary preparations all along the 2,500-mile border before effective action of a military character can be taken.

There are, however, no such compelling strategic reasons for deferring firm action in Goa. The military build-up which has been going on in Goa in recent months lends weight to this argument. It may be true, as the Prime Minister has once said, that if we decided to take Goa, it could be done in two or three days, "irrespective of whether the Portuguese in Goa have 12,000 or 24,000 troops". Nevertheless, a determined arms build-up by the Portuguese of which there have been many indications in recent months, cannot surely make the task of freeing Goa, if necessary by the use of force, easier. On the contrary, purely humane considerations should impel the Government to make the operation as painless as possible by acting before the arms build-up and the rising tempo of repression go much farther.

Term-Lending by Banks

A WORKING group of the Reserve Bank has recommended that the major commercial banks in the country should begin to take to term-lending. It has come to this conclusion after assessing the supply of and demand for long-term funds in the Third Plan which indicates a shortfall of about Rs 100 crores in the expected supply of funds to private industry. Hence the need for strengthening and broadening the institutional set-up for industrial finance generally and for the commercial banks to extend term-loans to industry.

Discussing the suitability of banks as agencies for extending term-loans to industry, the working group says that "banks with large resources, with their close contacts with industrial units in the sphere of short-term finance and their large branch network in the various parts of the country are well suited to supplement to some extent the existing sources of term-finance for industry". It is, therefore, surprising to read in the same report that the lending operations of banks have hitherto been dictated by "certain traditional ideas regarding liquidity of assets". Now, how far can one reconcile the role which the Reserve Bank proposes for the commercial banks as a new source of term-finance with their admitted conservatism? If the Working Group's recommendation is to be taken as only an exhortation to the banks to participate in term-lending, it can do no harm. But whether industry can depend on banks for its requirements of long-term finance is a question which is difficult to answer in the affirmative, particularly in view of what the Reserve Bank itself has to say about the banks' traditional attitudes to lending operations.

Besides, will the commercial banks have the resources to engage in term-lending, particularly in view of the Reserve Bank's latest proposals for raising the proportion of liquid assets to be maintained by them? If banks are to keep liquid assets at, say, 27½ per cent as proposed by the Reserve Bank will they be in a position to meet the demands of industry and trade for even short-term funds, leave alone term-finance?

D K Sharda

WHAT attracted D K Sharda to this paper was that he too had started, audaciously, a weekly in Nairobi which he had called *Tribune* and which he had run, by himself, until the colonial authorities pounced on the press in which it was being printed and later stopped it by executive order when they found that the intrepid young editor continued to bring it out after the closure of the press by cyclostyling it on a small multigraph machine.

That was the end of the *Tribune*, the bound volumes of which Sharda treasured as his most loved possession, but it was by no means the end of his career as a journalist. It was rather a prelude to venturing into wider fields — correspondentship of the *New Statesman*, the *Times of India*, and the *Hindu* — and subsequently his return or rather his migrating to India. For, Sharda had been born and brought up in East Africa and had also married there.

The *Tribune* was a different type of paper and by no means, or even primarily, a fighting political organ of this or that group. It was a publication of great distinction, lucid, urbane and courageous, but not heavy, doctrinaire or propagandist. Modelled on the *New Statesman*, it attempted a wide coverage in a small compass and published, besides book reviews, well-written, adult reviews of films, music and whatever other cultural activities came into the lives of the people in that part of the world.

Beginning life as a school teacher, Sharda had been impelled into journalism by his urge to write and his keen and wide interest in men and affairs as also in life and literature. The going had never been very good. Though basically not political, he could not keep away — did not feel it decent and proper to keep away — from the struggle for freedom, living under a colonial administration.

He found it rather surprising that other Indians, successful in business and well-placed, who apparently felt the same way as he did, turned the other way and held aloof when it

came to doing something practical to support his venture when he started a paper of his own. Of course, the disillusionment had started earlier when he first joined a daily paper, started or backed by leading Indian settlers. But this left no bitterness, and I never heard him complain.

The *Tribune* had attracted the attention of Kingsley Martin and it was he who had been instrumental in getting Sharda over to the *Times of India* from where he moved out a few months ago to take up the editorship of the *Searchlight*. This he did with his characteristic spirit of adventure and also in pursuit of his conception of good life. What he would have loved best was to seek a quiet spot, build himself a home with a large plot of ground around, live closer to nature and write. But his sense of humour, springing from a clear perception of reality, would not let him brood or hanker after what was for him at the moment unattainable — he had to earn a living and support a family.

The next best thing he could think of was to take over the editorship of a paper and build it up. So he jumped at the offer of *Searchlight* when it came to him. In India he was virtually a stranger and had not lived here long enough to know the country well. He had lived only in Bombay and hardly knew anything of life in the provincial capital, its local politics, its lack of amenities and comforts. These things did not weigh with him at all. This would be a new kind of life for him, a new world of experience; it interested him, and he took it up.

For one who had run a weekly with such loving care and attention, Sharda threw himself into his new job with his whole heart, with the dedication of a craftsman and the daemonic compulsion of a perfectionist. He would not send out a copy of *Searchlight* until it had come up to what he regarded as a possible standard. Till then, as he wrote only two days before his sudden death: "It was not fit for your august eyes".

What had attracted Sharda to this paper became a common bond. Since circumstances prevented him from working for it whole time, he did the next best thing — write for it regularly in spite of his very heavy schedule of work and other commitments and give it his best, for, writing for this paper was a labour of love for him. And in it he found a freedom which he rarely enjoyed when writing to suit a dictated policy. Handsome, bright and always smiling, he had a light kind of humour which never hurt, a rare zest for living and capacity for enjoying a good book, Indian classical music, or even a good dinner and fondness for the open places of travel. This tight and heavy programme, frilled with music lessons, French classes, physical exercise, the allotted quota of reading and regular writing was, of course, exhausting even for one of a stronger constitution and a dour, determined spirit.

And he was by no means dour, nor did he ever look grimly determined. But he managed to keep up with this packed programme with an ease and agility and apparent absence of fatigue, which was a wonder for all those who knew the load he had to bear with a dilated heart. The fell disease struck him down just when he thought that he had got rid of it. All that the public would ever know is that in Sharda we have lost perhaps our best expert on Africa. Few beyond those who had the privilege of knowing him intimately will realise how much more the country has lost in his premature death.

Notice

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Weekly Notes

Jivraj Mehta's Empty Victory

THE scramble for the Congress ticket in the States is now in its last phase. The scene has shifted from the respective State capitals to 7, Jantar Mantar Road, New Delhi, where last week the Central Election Committee of the A I C C began its scrutiny of the lists submitted by the State Congress parties. In keeping with the pattern that has now become more or less familiar, the wrangle over candidates has taken the form of tooth-and-nail struggle between the organisational and ministerial wings of the party. Equally in keeping with current form, the organisational side of the party appears to be prevailing over the ministerialists in almost all the States.

At first glance, the decision of the Election Committee on the Gujarat Congress Committee's list would appear to have gone in favour of the Chief Minister, Dr Jivraj Mehta. The Committee made it clear that the so-called ten-year rule, which Dr Mehta had opposed bitterly, was invalid. No such rule, it stated, had ever been formulated by the Congress High Command. Immediately after the meeting of the Election Committee, the Prime Minister also stated unequivocally that the rule "does not apply". He is reported to have added significantly that "I do not know how many years I have been here!"

However, any hopes that Dr Mehta may have had that the Gujarat list would be revised in accordance with his wishes, following the rejection of the ten-year rule, were promptly set at rest by the sub-committee appointed by the Central Election Committee to review the controversial cases. The three-man sub-committee, which included Shri Morarji Desai who is known to have supported the State Congress President, Shri Thakorebhai Desai, against Dr Mehta, rejected Dr Mehta's plea for a revision of the list, except in the case of four Assembly seats. Dr Mehta had urged the Central Election Committee to reconsider the nominations made by the State Congress party in the case of 20 Assembly seats and one

Lok Sabha seat. He had asked for the inclusion of those who either did not apply for a Congress ticket or withdrew their applications under the impression that they were ineligible under the ten-year rule.

In a lengthy statement issued on the eve of the meeting of the Central Election Committee Dr Mehta had alleged that a large number of Congressmen had been compelled to withdraw their applications for the Congress ticket under pressure and "in the name of Mr Morarji Desai" on the ground that they were debarred under the ten-year rule. Dr Mehta had then pointed out that there was no sanction of the All-India Congress Committee behind the ten-year rule nor was any decision taken by the Gujarat Pradesh Congress Committee on the matter. The rule, therefore, had no official or even moral basis and, Dr Mehta alleged, had been used by some sections of the Congress party against their opponents.

The decision of the Central Election Committee clearly vindicates Dr Mehta's stand. It is surprising, therefore, that the sub-committee appointed by the Election Committee did not find it necessary to make any change in the list of candidates except those "permitted" by Shri Morarji Desai. Under the circumstances, one can hardly find fault with Dr Jivraj Mehta for expressing his "strong dissatisfaction" with the sub-committee's decisions.

Incidentally, the equanimity with which those who, only a few months ago, were swearing by the ten-year rule have accepted the rejection of the rule by the Central Election Committee is intriguing. It is possible that this is because, having used the rule to achieve their ends, they are now secretly happy to see it discarded, for it is a double-edged weapon which may conceivably be used against them on some future occasion just as they have now used it against their political opponents.

Excise Duty on Sugar

THE sugar industry has requested the Government to reduce releases so that the price of sugar is maintained. They cannot, however,

be very happy over this as a reduction in releases will leave them with embarrassingly large stocks which they will find difficult to finance. The surplus continues to be unmanageable in spite of de-control. The industry is faced with a carry-over of 1.4 million tons and an anticipated production of 2.7 million tons this season; against this large and available supply, demand is not expected to be more than 2.4 million tons, leaving a final carry-over at the end of next year of over 1.5 million tons.

What is the way out of the present impasse? In the short run, the industry has suggested as a possible solution that the Government should maintain a large buffer stock which will give immediate relief to the industry; alternatively, it is proposed that the excise duty be reduced so that the price of sugar can be brought down and consumption can be increased. The first suggestion really does not seem to solve the problem; it merely enables the industry to shift the burden on to the Government which is probably far less competent to handle the problem; the second suggestion will probably never be accepted by the Government as sugar is one of the major sources of excise revenue. The industry pays nearly 90 crores of rupees a year in excise duty. In a country where the need is for increasing savings, it is hardly likely that a decrease in excise revenue will be acceptable.

High Cost: Industry's Problem

THE crux of sugar industry's difficulties is the high cost of production of sugar in this country. At the present jaggery price, cane will yield about Rs 30 per ton ex-field while the Maharashtra sugar mills are paying a price of Rs 48 per ton ex-field. The price of cane to the sugar industry is, therefore, way out of line of the supply and demand position. It constitutes 75 per cent of production costs and it is obvious that unless the Government policy on cane prices alters radically there is no hope of a reduction in production costs. Besides the Government would do well to

remember that the cane grower is in a very poor bargaining position with the mills. Traditionally, the mill owner has always bullied the farmer in giving him the cane at his price by refusing to crush the cane and leaving it standing in the fields. Unless the Government reduces cane prices, the mill owner, especially in the north where cultivators are small, will return to all the old malpractices which have been absent from the industry for so long a time.

It is to be hoped that the recent announcement of Shri S K Patil when he "assured the House that the interests of the sugarcane farmer would not be allowed to suffer by the proposed regulations" does not mean that he will be adamant on the vital issue of lowering the price of sugarcane. It is now very clear both to the Ministry and to everyone else that the price of cane to the sugar industry is much higher than is justified by supply.

If the Government does not reduce the price of cane, it will only do disservice to the farmer. The cultivator is always in a very poor bargaining position vis-a-vis the mill owner. There are a large number of cultivators against only one mill owner; so the mill owner can always divide them and force them to his way of thinking. Besides, the mill owner has time on his side; he can afford to hold off crushing for a few days while the cultivator cannot keep his crop for too long.

When, therefore, supply of sugar cane is ample, the mill owner can always refuse to crush the cane unless it is supplied below the control rate. In order to conform to Government regulations, he will obtain receipts at the official rate and yet pay less. These nefarious practices are much more painful to the cultivator who has traditionally been bullied by the mill owner especially in U P and Bihar where the cultivators are small and numerous.

A sugar mill is in many ways the ideal unit to make into a co-operative. It is possible to diffuse ownership among a large number of small farmers who can take a live interest in the affairs of the mill because their earnings will come from the mill. It has often been remarked that sugar is grown in the

fields; if, therefore, the cultivators have a direct share in sugar manufacturing, they would be more tempted to grow the quality of cane which yields maximum sugar. At the moment, the cultivator is paid on weight and, therefore, he is only concerned with the cane that yields maximum weight and not cane which yields maximum sugar.

Finally, it is high time that the rural farmer escaped from the urban mill owner. If he is to escape from the fear of exploitation and powerful sugar lobbies in Delhi, the only way he can do so is by running his own industries. What better and easier industry could he run than sugar?

New I D A Loans

PERENNIAL irrigation is, of course, necessary for intensive agriculture. But it also creates problems. Extension of irrigation without providing adequate drainage causes water-logging as a result of rising ground water table. This is best illustrated by what has been happening in the Punjab where water logging has assumed serious proportions. The rising ground water table has also rendered the soil salty and unfit for agriculture in many places.

How acute the problem of water-logging is in the Punjab can be judged from the fact that out of an estimated total expenditure of Rs 61 crores on flood control, drainage and anti-water-logging schemes in the Third Plan, about Rs 15 crores, or 25 per cent, will be spent in the Punjab. Again, the ratio between estimated expenditure on irrigation and on anti-water-logging, drainage and flood control schemes is significantly different in the Punjab from the rest of the country. For the country as a whole, expenditure on irrigation schemes in the Third Plan is estimated at Rs 599 crores and that on flood-control, anti-water-logging and drainage schemes at Rs 61 crores. In the Punjab the expenditures on the two programmes are Rs 22 crores and Rs 15 crores, respectively.

The largest of the three IDA credits for agriculture announced last week is for flood control and drainage works in the Punjab. The loan, amounting to \$ 10 million, is for construction of 17 miles of embankments, enlargement of 300 miles of

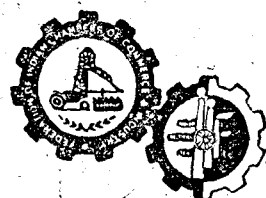
existing drains and excavation of 2,000 miles of new drains. The credit will meet half of the total cost of these works which is estimated at about Rs 10 crores.

The other two credits are for irrigation projects in Orissa and Gujarat. The Salandi project in Orissa will receive \$ 8 million out of a total cost of Rs 8 crores. The project, which will irrigate 2.25 lakh acres, involves construction of a dam on the Salandi river, a 45-mile long main canal and about 450 miles of distribution canals. The Shetrunji project in Gujarat will provide irrigation to over 86,000 acres. The project is already under execution and the main civil works, including the dam, have already been completed. The works that remain to be taken up include about 94 miles of main and distribution canals, houses, workshops, buildings, and service roads. The total cost of these works is estimated at about Rs 4.5 crores and the IDA will provide \$ 4.5 million.

All the three loans are interest free and are repayable in foreign exchange over 50 years. Repayment will begin after a ten-year period of grace, in 1972. Thereafter one per cent per annum of the principal will be repayable for ten years and three per cent per annum will be repayable in the final 30 years.

Each of the IDA credits amounts to roughly half of the total cost of the project for which it is earmarked. The loans are thus not intended just to meet the foreign exchange cost of the projects. The Government is obliged to spend the rupee equivalent of each credit on the respective projects. Presumably, the foreign exchange proceeds of the loans, after meeting the foreign exchange cost of the projects, will be available to the Government as free reserves. This is an important aspect of all IDA credits. Credits extended by the aid-giving countries and by the World Bank are invariably tied to particular projects and, in the case of the former, to purchases from the country concerned. Loans made by the IDA are, therefore, invaluable to developing countries since a major part of each credit is generally available to be spent on so-called maintenance imports.

December 2, 1961
5 DEC 1961



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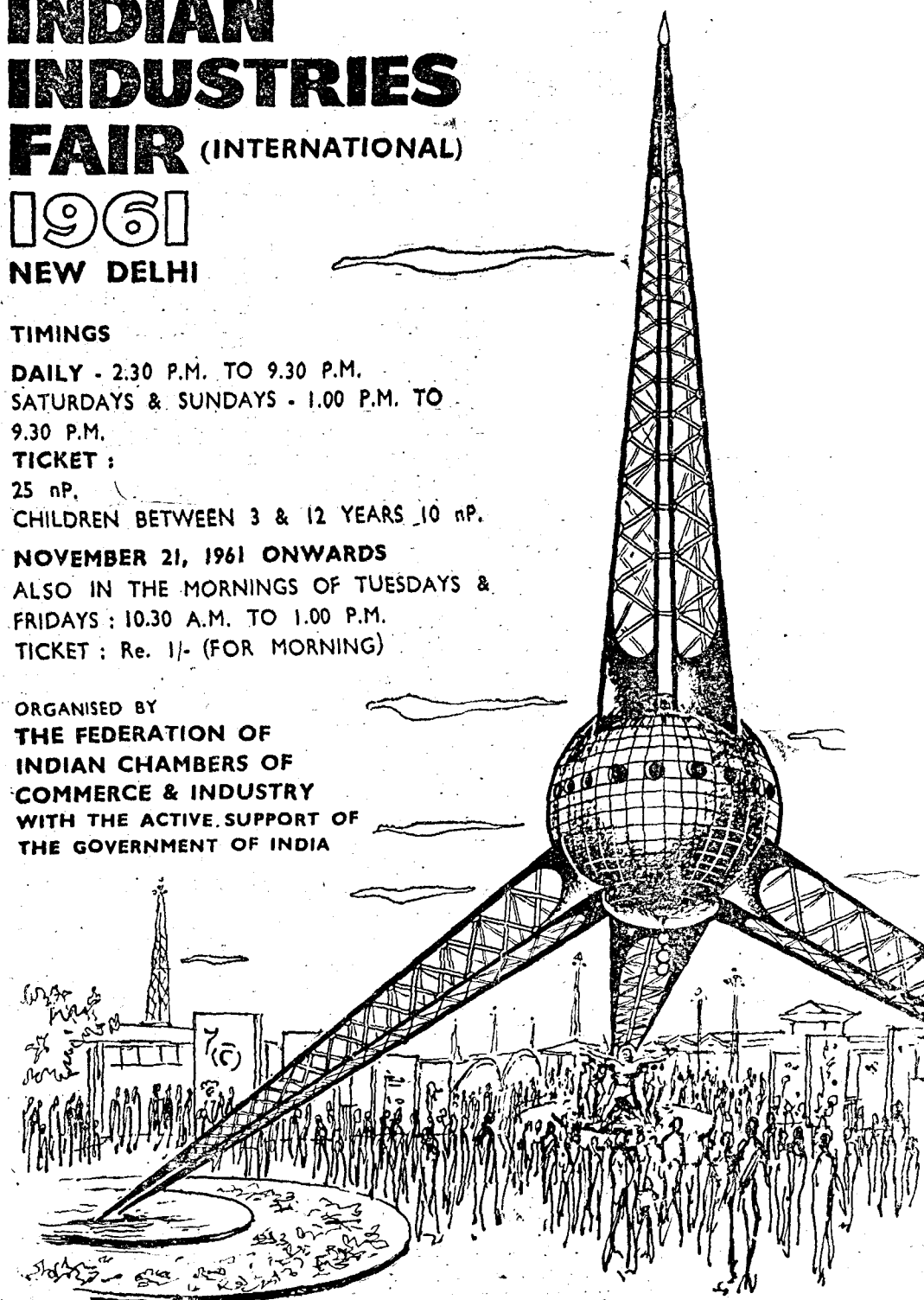
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Our Delhi Letter

Apprenticeship Bill

NORMALLY, when the pace of industrial development is slow, industry could be expected to meet its requirements of skilled labour from its own resources; but, when the pace of industrialisation is speeded up, naturally, special efforts would be necessary to meet this demand, which becomes more exacting as industrial development becomes more complex. In this country, however, with hardly any satisfactory training of labour even in organised industries, the need for adequate training programmes has been long felt and, now, with the growing requirements of skilled labour along with the planned development of industry, the problem has become acute. The importance of training factory labour has been recognised and keenly felt for a long time, but a concrete step towards the solution of this problem was taken only last week when the Lok Sabha approved the Government-sponsored Bill on 'Apprenticeship Training'.

Calculating on the basis of three principal levels of engineers and technicians — graduates, diploma-holders and skilled craftsmen—during the Third Plan period, it is estimated that 51,000 graduates, 100,000 diploma holders and 1,300,000 skilled craftsmen will be required. The requirements of graduates and diploma-holders for the Fourth Plan are estimated at 80,000 and 125,000 respectively. Training of graduates and diploma-holders is directly undertaken by the Government by establishing requisite number of engineering and technical institutes, colleges and schools. But the question of training of such a large number of craftsmen can be solved only by the direct and liberal co-operation of the industry; in fact, industry has the main responsibility of imparting practical training.

Still Mediaeval

Industry, however, in general, has no organised training programme. Only a few establishments in the private sector and Railways and Defence in the public sector have systematic training programmes. By and large, the system of acquiring

skill is still mediaeval—skill passes largely from father to son, brother to brother and so on, except in the organised sector of industry, where a major portion of skilled workers and artisans come out of the raw recruits, who join as unskilled workers and gradually acquire skill in the course of their work with the more experienced workers. Even where some form of apprenticeship system is in operation, the situation is far from satisfactory, as was revealed by the Central Wage Board for Sugar Industry. The Board found that "apprentices go on working as apprentices without any limit. Instances have been cited where persons were found to be working as apprentices for six, seven, nine, ten, sixteen, seventeen, eighteen years. Obviously they are being used as cheap labour". In this chaotic situation, it is difficult for authorities to assess the probable extent of supply of skilled workers trained by different methods.

Voluntary Methods Have Failed

Apprenticeship, which is a form of inplant training, is recognised in industrially advanced countries as the best method of training. Need of undertaking a programme of apprenticeship was underlined by a number of expert committees. Thus, acting on the recommendations of Shiva Rao Committee (1952), which suggested that "efforts should be made to encourage employers through voluntary methods to take in apprentices," the Government introduced a "National Apprenticeship Training Scheme". Under the scheme direct financial assistance to the extent of an average of Rs 67 per month per trainee was provided to the employers. However, the scheme proved a failure. Target of 7,100 trainees fixed for the Second Plan had to be brought down to 3,000. Of the 2,700 apprenticeships sanctioned, only 1,200 apprentices underwent training.

Where voluntary action fails, law comes in. And this has happened in this case. Moreover, there are neither any public bodies entrusted with the control of apprenticeships nor are there any collective agreements to that effect. Hence, the

need for legislation on apprenticeship training was first recommended by the Indian Labour Conference in 1951. This was reiterated by the Technical Training Committee of Small Scale Industries Board (1958), National Council for Training in Vocational Trades, Estimates Committee and Working Group on Technical Education and Vocational Training (1959). Even the Shiva Rao Committee recommended that "if, however, voluntary methods do not succeed, the Government may enact necessary legislation". The I L O recommendation concerning apprenticeship also suggests legislation for regulating apprenticeship.

Such legislation exists in most of the industrially advanced countries. In some of them, the introduction of an apprentice training course by an individual factory is left to its discretion, but the terms and conditions of apprenticeship are regulated by legislation, the main object being to safeguard apprentices from exploitation by training factories and ensuring a certain standard of training. In some other countries, factories are compelled not only to maintain a certain standard of training but also to maintain a fixed ratio between regular workers and apprentices.

Legal Compulsion on Employers

The main difference between legislation in other countries and that proposed here is that while elsewhere legislation regulates programmes of apprenticeship training, the bill on the subject proposes to regulate the training of apprentices as well as to compel the employers to take up the training of a certain number of apprentices. The element of compulsion has been found necessary for the Indian entrepreneur has not yet shed his semi-feudal outlook and is not alive to the collective responsibility for long range development.

The apprenticeship bill covers two types of trainees. First, those who are admitted for full-length apprenticeship. Second, those trainees who have to undergo compulsory inplant training in industry after

undergoing a course of 18 months training in Industrial Training Institutes, or other institutes and schools recognised by the National Council for Training in Vocational Trades. A course of practical training on the shop floor is absolutely essential to make a skilled craftsman. Already great difficulty is being experienced in arranging this part of the training programme. The problem is going to be more acute when the in-take in the Industrial Training Institutes is raised from 42,000 at present to 100,000 at the end of the Third Plan.

Industries to be Notified

Depending upon the requirements of skilled craftsmen and on the advice of the Central Advisory Apprenticeship Council the Central Government, under the provision of the proposed Act, will notify the areas and industries to which the provisions of the Act shall be applicable. The Act shall apply to both private and public sectors. The ratio of apprentices to workers other than unskilled workers in a designated trade will be laid down by the Central Government on the advice of the Central Apprenticeship Council, which will be formed under the Act. The Council will be composed of representatives of the Central Government, State Governments, employers in the public and private sectors and technical experts. It will advise the Government on all administrative and technical matters. Similar councils will also be constituted at the State level.

The responsibility for imparting theoretical instruction to all apprentices will be that of the Government which will bear the cost for it. For practical training, including basic or preliminary training, the cost will be borne by establishments which have 500 or more workers. For establishments having less than 500 workers, however, the recurring expenditure including cost of stipends during the period of practical training will be shared equally between the Government and the establishment. For imparting basic training to the apprentices of such establishments, the Government will set up at its own cost special schools or institutes. Under the Act, the

employer will have the right to make it a condition for the apprentice to serve him on "reasonable remuneration and for a reasonable period". However, the Apprenticeship Adviser will have the powers to alter the terms of remuneration and period in the contract of apprenticeship where, in his opinion, these are not reasonable. The bill has been so framed as to ensure that the apprentices consider themselves as learners and not as workmen. That is why apprentices have been kept out from the purview of various labour laws except in matters concerning health, safety and welfare.

The bill makes a beginning in the right direction. With a fairly active trade union movement in the country, it can be assumed that some of the loopholes of the bill, like employers' right to make apprentices serve them on "reasonable remuneration and for a reasonable period", will not be abused on a large scale.

Employment Situation

Recently, the Labour and Employment Division of the Planning Commission compiled a paper on "Unemployment and Employment Trends in Delhi". The paper covers the Second Plan period, and is based on the data supplied by the Employment Market Information (EMI) and the Employment Exchanges in the area.

During the period under review, "the number of unemployed seeking employment exchange assistance has been showing a gradual upward trend". Monthly average of number on the "Live Register" was 46,924 in 1956-57; 46,865 in 1957-58; 55,128 in 1958-59; 65,524 in 1959-60; 58,381 in 1960-61. Though the Employment Exchange (Compulsory Notification of Vacancies) Act, 1959 was enforced with effect from May, 1960, vacancies notified in 1960-61 were lower than in 1956-57. Monthly averages in these two years were 1,473 and 1,663 respectively. There was a slight improvement in 1960-61 over 1959-60, for which the corresponding figure is 1,113.

"Persons without professional, vocational or previous work experience" constitute 53.7 per cent of the total unemployed registered with the exchanges in March, 1961; "service workers" are 12.7 per cent;

"professional, technical and related workers" are 11 per cent; "clerical" are 8.4 per cent; "craftsmen and production workers" are 8.4 per cent. Among the "white-collar" group, increase in unemployment is very small, as compared with the increase in general unemployment. Among the educated unemployed, however, matriculates, intermediates and "others", as usual, had to face somewhat worsening employment prospects while unemployment in respect of engineers and medical graduates is among the lowest.

The paper reveals that "employment both in the public and private sectors stood at 3.30 lakhs in March, 1961, representing an increase of 0.85 lakhs (34.6 per cent) over the level in March, 1956". The increase in the public sector has been 39.3 per cent, about 0.63 lakhs, while the corresponding figure for the private sector is 26 per cent or 0.22 lakhs. Further, analysis indicates that in the public sector, out of the total increase of 0.63 lakhs, major portion of additional employment opportunities has been in the Central Government establishments (0.35 lakhs) followed by quasi-Government establishments (0.12 lakhs). In the private sector, out of the total increase of 0.22 lakhs, manufacturing sector accounts for 0.15 lakhs, followed by services (0.04 lakhs).

The EMI studies reveal that out of the total labour force of 10.56 lakhs in the Capital, 8.44 lakhs have some economic activity or other and that 2.12 lakhs is the maximum limit of unemployment in Delhi.

The obvious conclusion of the study, which suffers from serious limitations, is that employment opportunities are not being created in sufficient number to take care of additions to the labour force. Another disquieting revelation is that a sizeable number of technically trained personnel belonging to the categories professional, technical, craftsmen and production workers continue to remain without jobs. It is a serious matter both from the point of view of wastage of technical manpower as well as loss of contribution which the latter could have made to the productive capacity of the community.

The Exhibitionists

Romesh Thapar

DELHI is known for her exhibitionists—politicians, the get-rich-quick specialists, the social climbers and (forgive the generalisation) successful Punjabis. But there is a show on these days which makes all previous exhibitionism look tame and amateur. I refer to the Indian Industries Fair 1961, which, still very incomplete in parts, is drawing mammoth crowds. It was to have run for an intensive six weeks, but now, with Mrs Kennedy due in Delhi towards the end of January, there is no exact idea about the closing date. All the better considering the scale on which the fair is organised.

Handouts capture the vital statistics. More participants than in the 1955 exhibition. Covers some 180 acres, or two-and-a-half times the area covered before. Hundreds of pavilions and stalls spilling over two million square feet. Average cost of important Indian pavilions ranges from anything between one to three lakhs of rupees. The eighteen foreign participants have brought in machinery worth about Rs 35 crores. A complete journey of the fair means 35 miles of foot-slogging—unless one is a VIP and can roam around in a car creating minor dust storms.

Fairs are supposedly organised to facilitate the exchange of goods, but in Delhi it is said that these fairs are launched to help the prosperity of the local citizens—at least of those sections who manage to monopolise the contracts for building and dismantling the stalls and pavilions. Rumour has it that one of the contractors hopes to make anything up to Rs 60 lakhs. The profits of three smaller entrepreneurs are said to range from Rs 15 to Rs 27 lakhs. Artists and mural painters, too, claim a share of the bounty of the business world; some have put away anything from Rs 50,000 to a lakh of rupees. An analysis of the amount spent by the public sector enterprises would prove most interesting!

All this goes to show the scale

on which Indian industry exhibits its new-found muscle, although there are many who criticise the waste involved in both materials and personnel. Foreign participants, particularly the leading elements of the two blocs, create willy nilly a kind of competitive challenge which persuades Indian participants to join the spending spree. It is doubtful whether the cost justifies the results, particularly when every such Fair is inevitably located in the capital and serves to educate those who have already been educated. If we are to have some such Fair every year—as indeed we have now been promised—would it not be a more productive investment to let other equally capable cities do the organising in turn?

Speaking of organisation, whole sections of the Delhi Fair are not visited because they have been badly placed; indeed, the most prominent sites are held by the foreign participants who would draw crowds no matter where they were located. As for the dismantling programme, nothing could indicate more pointedly the disorganised, wasteful approach of Delhi. Structures costing lakhs of rupees, many made of reinforced concrete, will be razed to the ground when the Fair ends. Surely a more sensible, rational dismantling programme could be worked out—for one cannot help remembering that only a few miles from the Fair are the most wretched slums of our capital city.

The Communist 'Troika'

The only prominent absentee at the Fair is the People's Republic of China. But Peking has kept itself in the news. The furore developing over China's 'pushing tactics' on our frontier threatens to take on graver shadings. An active lobby is now at work in the capital to compel the Prime Minister to declare that diplomatic relations with China will be broken off should these encroachments continue. The open Moscow-Peking rift, of course,

makes it feasible now to consider such a step as it will not be 'misunderstood' in a large part of the Communist world.

The Indian Communist Party also seems to have had its fill of Chinese tactics. Ajoy Ghosh, the General Secretary, has issued a statement significant for its tone of suppressed anger. He says: 'I have read with surprise and regret the information given by the Government of India about the recent patrolling by Chinese soldiers in Indian territory. It is also reported that new checkpoints have been established by the Chinese even beyond the territory shown in their own map of 1956. Such acts, especially in the context of the dispute already existing, cannot but heighten tension, create deep resentment among the Indian people and further embitter the relation between the two countries. We demand that the Government of the People's Republic of China must immediately put an end to such acts. We demand also that effective measures must be taken by them to ensure that such things do not occur again.'

This stand may well contain an element of pre-election opportunism, but its repercussions, particularly in the context of the ideological confusion prevailing in the Communist world, are bound to be widespread. Indian students of Communist affairs, and some officials whose job it is to follow these developments have pounced on a colourful but hackneyed description of the confusion—that a Moscow-Peking-Rome troika rules the Communist world. 'Rome' presumably indicates the 'independents' who prefer to think for themselves and no longer wait upon the theorising of Moscow or Peking. But 'Rome', or the flexible Togliatti does not condition thinking among the independents. Each is becoming master in his own house—and that

applies to India, too. The experts will have to find another description for the profound changes taking place in the once monolithic Communist world.

Queuing for a Flight

Perhaps, it is the pre-election mood or Delhi's incurable cynicism which prompts informed circles to discuss every development as 'exhibitionism'. For example, when Defence Minister Krishna Menon unveiled his Super-sonic fighter, a product of Hindusthan Aircraft, Bangalore, there was a deliberate 'leak' to the effect that this 'Super-sonic machine' could not travel faster than 600 m p h! At that time, the charge was true. But, with Soviet jet engines installed, Bangalore's Super-sonic fighter will, it is claimed, be one of the finest. Now, the same kind of whisper is current about the Avro-748, named 'Subroto' — that it is incapable of serving India's needs on far flung mountain frontiers. But, judging by its performance at Palam the other day, the Indian-made 'Subroto' appears to be most effective.

In any case, exhibitions and exhibitionists notwithstanding, we need to take greater interest in the development of aircraft manufacture. Apart from defence needs, it looks as if the I A C can do with a new fleet of air-crafts. Headlines announce that half the I A C fleet is grounded for repairs and overhauling, that there are 40 to 60 passengers on the waiting list of each flight on the trunk routes, that many have to wait for a week or ten days for a seat on a plane. This extraordinary state of affairs silenced the critics who began to protest against the grant of a license to privately-owned Kalinga Airways to carry passengers. Orissa's socialist Chief Minister Patnaik, who owns Kalinga Airways, may well have reopened the air transport industry to private enterprise at a time when the nationalised airlines seem incapable of meeting the demands of increased traffic. The Tatas, who pioneered air transport in India, have reason to grind their teeth!

Loan from PL 480 Funds

THE United States Government has concluded four agreements with the Government of India providing for grants totalling Rs 26.4 crores for national highways, dairy development, soil and water conservation and groundwater exploration projects. This amount will be made available from the money earmarked as grants to the Government of India from the sale proceeds of agricultural commodities supplied to India under PL 480. The grants will cover the anticipated expenditure on the projects during the first two years of the Third Plan.

Bulk of the grant, Rs 20 crores, will be utilised for the improvement of national highways. About 787 schemes have been carried over to the Third Plan from the Second and work has begun on a number of new schemes.

A sum of Rs 3.6 crores will be utilised for milk schemes in Amritsar, Bangalore, Barauni, Calcutta, Hyderabad, Jabalpur, Kanpur, Kozhikode, Madras, Madurai, Nagpur,

Surat, Vijayawada and Worli and also for research projects undertaken by the National Dairy Research Institute in the Punjab and the Dairy Science College, Gujarat.

Rs 2 crores have been earmarked for soil conservation projects in the catchment areas of Bhakra-Nangal, Damodar Valley Corporation, Machkund, Hirakud, Chambal, Kosi, Mayurakshi Kundah, Tungabhadra and Ramganga Projects. Part of this development programme includes contour bunding and terracing, afforestation, pasture development and control of landslides.

A sum of Rs 80 lakhs is intended for the ground water exploration programme. Under this programme, a hundred exploratory wells a year will be drilled in Andhra Pradesh, Assam, Bihar, Gujarat, Kerala, Madhya Pradesh, Madras, Maharashtra, Mysore, Orissa, Punjab, Rajasthan, Uttar Pradesh, West Bengal, Himachal Pradesh and Tripura. During the Second Plan, 287 tubewells were drilled with American assistance.

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Published by:

Adel Mahmoud Sabit

11, Sh. Kamal El Din Salah - Kasr El Dubara

P. O. Box 2118

Cairo, U.A.R.

Wage Policy Misfires

THE Conservative Government's ill-conceived pay pause policy emphasises once more the Government's inept handling of the economic situation, and casts doubts on its ability to go ahead with its much-vaunted programme of non-socialist planning. When the failure of ten years of Tory rule became obvious and sterling ran into difficulties, the Government lost its nerve, and the only solution it could think of, besides the old weapons of raising the Bank Rate and cutting public investment, was to force a showdown with labour and initiate a pay pause policy. The fact that no reference was made to the Capital Gains Tax in the Queen's speech, made it clear that labour was to bear the brunt of the Government's new measures. The only other step contemplated by the Government was to set up a Planning Committee which the Trade Union Congress is hesitating to join, and rightly too.

Faced with the threat of a strike in the electricity supply industry, the Electricity Council agreed to a pay rise, apparently without the knowledge of Mr Lloyd who was in Paris at the time. The confusion in Conservative policy was clearly illustrated when Macmillan got up to make his theatrical speech in the Commons on Tuesday. The speech achieved nothing and there is now no doubt that wage claims will continue to be pressed, if only harder. The only result of the Government's wage policy has been to create a great deal of ill-will among the Unions.

The electrical workers' success has shocked the City. The Electricity Commission has made the Chancellor look silly. The Government, it is true, has no control over wage settlements in nationalised industries, except where it has to find the money because the industry does not pay its way.

The differences in interpretation of the pay pause policy are certainly interesting. For the Treasury, it apparently means an absolute end to wage increases, even if that means breaking bargains and upsetting arbitration. Mr Lloyd's

own view is 'not clear.' Has the policy now changed from one of a wage pause to one of wage restraints? The Government's own statements make it difficult to discover what its policy really is. What are Unions making wage claims, and employers who have to answer them, supposed to do? Is a major strike considered more, or less, harmful to the economy than a modest wage increase? The Government has put itself in a rather unfortunate position, as according to the City, a weakening on the wages front would jeopardise sterling, whereas toughness might bring industrial trouble that would harm exports. Watching Mr Lloyd's mis-handling of the economic situation, one cannot help being reminded of Osbert Lancaster's crack that Selwyn Lloyd is admired because once he has made up his mind, "no power on earth can make him stick to it."

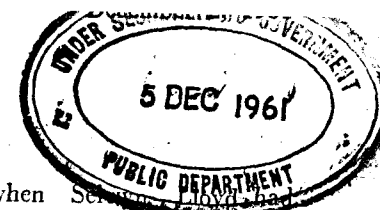
A secondary result of the Government's wage policy is that the Trade Union Congress, reacting to Macmillan's speech, has now refused to endorse its Economic Committee's recommendation to enter the Government's new planning machinery. At one time the National Planning Body looked as if it was going to be set up before the end of this year; the employers had already agreed to join, and the T U C had been on the verge of accepting the six seats the Chancellor had offered them on his National Economic Development Council. Macmillan's speech obviously shook the Unions' confidence in the Government. With many wage claims on the stocks or in the machine, even moderate men on the T U C were afraid to give any kind of endorsement to the Prime Minister's views which might be used against them in negotiations later. It is beginning to appear that the Government's aim was to use the National Economic Development Council merely as a stick to beat down demands. The vain hope that the new Planning Commission would convert a Conservative Government to socialism has now been abandoned. It will be recalled that in

August, when Selwyn Lloyd failed to consult the Unions about the pay pause, they were left with the impression that he was not the kind of man who could run a proper planning body. "The issue was one of confidence in his intentions and purpose." The Trade Union Congress, however, changed its mind by October 25, when it appeared that Mr Lloyd did not want the Union men on the Board as mere rubber stamps. The Prime Minister's statement, however, has been interpreted by the T U C as a return to "obduracy and peremptoriness". So Mr Macmillan's imprecise but ostentatiously tough statement has done no good, either to opinion in the City, or to organised labour. The T U C has always held that the pay pause was "bad and silly, impractical, unfair and undesirable." In these circumstances, Macmillan's statement caused a grave shock. The T U C has taken up the attitude that if the Prime Minister did not listen to them about a short-term matter like the pay pause, it seemed unlikely that he would listen to them on a long-term subject like planning.

Fall in Production

Now that the latest figures of production in industry are available, revealing an unmistakable downward trend the reason for Selwyn Lloyd's whistling in the dark to keep up his courage and the studied efforts of ministers to dismiss the spectre of an impending slump are quite clear.

In the absence of the reassurances recently given by the Chancellor that strong expansionary forces would be at work next year, there might well have been wide concern at the trend now disclosed. Indeed, recession fears could well have been caused by these figures. The seasonally adjusted index of production which was at first thought to have levelled off in August at July's peak rate of 125 (1954=100) is now known to have dropped a point in August and to have fallen a further two points in



September to 122. Developments in the manufacturing branch of industry probably go far to account for the new trend. The main reason for the fall was continued weakness of the steel, motor and appliance industries. Steel production fell to three-quarters of capacity in September and the motor industry was hampered both by strikes and by the continued fall in home demand. Despite all Mr Lloyd's assurances, it appears that the index will fall further before it again moves forward. The disappointing rate of growth also gives emphasis to the stand that Selwyn Lloyd took at O E C D when he forced the acceptance of lower growth targets for member countries.

At the same time, the demand for labour is easing. From almost an all-time low of 1.2 per cent in June and July, unemployment has risen month by month and in mid-November reached 1.7 per cent. This is more than a mere seasonal increase. Whereas in July, the peak month of labour shortage, there were 140,000 more jobs than unemployed, in November there were 125,000 more unemployed than in jobs. The main question now is, what will happen to unemployment in the months ahead? For seasonal reasons it is likely to reach the 2 per cent mark in January and in the normal course of events would begin to fall after that.

Temptation to Devalue

While the chances for British participation in the European Common Market continue to increase, an important topic has recently been discussed by the EEC Commission. This deals with the position of sterling and the continuing balance of payments difficulties which Britain is experiencing. Common Market interest in this subject is far from theoretical. What the 'Six' fear most is that, in view of these difficulties, Britain might devalue on the eve of joining the Common Market, and thus effectively improve the competitive position of British exports. The French, who have very vivid recollections of their own successful devaluation in December 1958, on the eve of the opening of the Com-

mon Market, are inclined to believe that the temptation for Britain to follow suit would be very strong. They are, therefore, anxious that common monetary measures to help strengthen the sterling should be discussed by the 'Six', in order to avoid devaluation by Britain. Another factor which has lent urgency to this problem is the serious effect that devaluation could have on Britain's relations with Commonwealth countries. In addition to the abolition of Commonwealth trade preferences if Britain were to join the Common Market, devaluation of sterling balances held by Commonwealth countries would indeed be a very hard blow. The implications of devaluation of sterling, which were closely studied by the EEC Commission, are to be discussed at a meeting of the Finance Ministers of the 'Six' in Paris on December 1 and 2, when the whole question of the financial implications of Britain's entry into the Common Market will come up for discussion. So far no definite proposals have been made for common monetary measures to help the sterling, but everyone is aware that the sweeping tariff cuts that Britain would have to make on entering the Common Market would affect her trade and balance of payments. Food imports, particularly, will cost more. In view of French and German reluctance to hand over too much power to the International Monetary Fund it does not seem likely that the 'Six' will feel that the IMF is the best instrument for helping the sterling. It is understood that the French and the Germans favour action on the lines of

the recent Basle Agreement, but this time on a Common Market basis.

The 'Secret' Speech

A further example of Government bungling is the leak of Mr Heath's Common Market statement to the United States. It will be recalled that when Mr Heath spoke to the Commonwealth High Commissioners, he was not prepared to show them the full text of his statement and contented himself with a summary of the main points. He turned down a Canadian request for a copy of the statement. When the news of the leak became public, there was naturally a very deep sense of shock. If it was proper for Washington—which is not a party to the Common Market negotiations—to receive the full text of the statement, surely it was only right that Commonwealth countries, who are vitally interested, should also have received its copies. To withhold a vital document like this is a deep affront to the Commonwealth. Mr Gaitskell, attacking the Government on this point, said: "The last stage of this development is the most extraordinary of all. It is reported this morning that the US Government has a copy of Mr Heath's speech. I say it is absolutely wrong that another foreign country should have a copy of this speech while it is denied to the countries of the Commonwealth". Ruffled feelings cannot be completely smoothed by the fact that all the Commonwealth High Commissioners have now received a copy of this speech. Following so soon after the Immigration Bill, this episode can only serve to damage Commonwealth relations further.

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Letter from South

Election Strategy in Andhra

THE publication of the list of Congress candidates for the Parliamentary and Assembly constituencies in Andhra has been followed by the release of a partial list of Communist Party candidates.

Wiser from the experience of the mid-term elections to the State Assembly in 1955—when it contested 169 seats and won only 15—the Communist Party has decided to set up candidates for only 150 of the 360 Assembly seats and 16 of the 41 Parliamentary seats.

The Party has not, however, announced the names of all its candidates. This is in keeping with the Party's strategy of waiting till the other opposition parties announce their candidates before making its final choice so that changes can be made in the light of the selection made by the other parties.

The reasons why the Communist party is not opposing the Congress in all constituencies as it did in 1955 are, first, that it does not feel strong enough to do so and, second, that it is looking out for electoral arrangements with other parties, who are prepared to join hands with the Communists to defeat the Congress.

A decade ago, the Andhra Communist party was homogeneous and occupied a leading position among State Communist party organisations. Such is not the case now. There have been serious rifts within the party, though these are not as openly advertised as those in the Congress organisation. Recently, there have been a number of defections from the party. Among those who have defected are prominent members of the organisation in districts which at one time were Communist strongholds. The defections have been mainly to the Congress, which is interpreted by some as a calculated move by the Communist party to infiltrate into the Congress and subvert it from within, and by others as the manifestation of the dissatisfaction among the rank and file with the policies of the party's High Command on vital national issues. Even fellow-travellers and supporters of the party seem to be realising that, with its anti-national ideology as reflected in its

attitude to Chinese aggression, the Communist party candidates have little chance in the elections.

The Communist leadership may be blind to many things but it is not oblivious of the party's internal weaknesses, some of which the present leaders cannot remedy because these are, at least in part, a legacy of the party's past commitments. This is responsible for the decision to contest only 150 Assembly and 16 Parliamentary constituencies, though the proclaimed reason is that the party does not want to fritter away its energies and is, therefore, concentrating on areas where it has an established following. The party leadership has claimed that it hopes to win most of the 150 seats. This may appear to be a tall claim now, but if the party's election strategy succeeds, it may turn out to be a realistic assessment, after all. The strategy is yet to be fully worked out but there are sufficient indications already that the party will be able to enter into local arrangements with non-Congress parties to jointly oppose the Congress. In at least some constituencies, the opposition parties' election arrangements would involve joint support by the Communist and the Swatantra parties to a candidate set up by one of them. Whether the Swatantra party would agree to such an arrangement is not yet clear, though it is not impossible that in view of its uncompromising opposition to the Congress, the Swatantra leadership may be willing to join hands with the Communists, whom perhaps it hates less than the Congress. The only party with which the State Communist party is unwilling to enter into arrangements is the communal Jan Sangh. Where the Jan Sangh opposes the Congress, the Communist party has expressed its willingness to co-operate with the Congress.

Possible Alignment with Praja Party

The Communists have declared their readiness to join hands with the Praja Party, a purely local party, which is anxious to prevent the Congress from coming to power even if it may not itself win many seats. The Praja party has some strength

in isolated pockets in the State and, if through the co-operation of the Communist party, it can secure a few seats in direct contests with the Congress, it would welcome such an arrangement very much. The leader of the Praja party, a former State Finance Minister, Shri T Viswanatham, has recently been in the public eye as leader of the agitation against revision of the 1951 Agreement on the sharing of the waters of Godavari and Krishna.

The tactics of the Communist party in particular and of other opposition parties in general constitute a challenge and a warning to the Congress. As the Congress has forsworn electoral alliances and arrangements with any party or group—this was reiterated in unmistakable terms by the Congress President, Shri Sanjeeva Reddi, in the course of his recent tour of Andhra—it has to watch its steps and beware of disruptive elements within its own ranks and also of earlier rifts among the Congressmen being exploited by the opposition parties. It must close its ranks forthwith and its electoral machinery must be trimmed to function effectively. The danger of dissident or dissatisfied Congressmen, who have been unable to secure party tickets, canvassing against the official candidates, either clandestinely or openly, cannot be ruled out.

At the same time, there are important sections of people, who, despite their dissatisfaction with the Congress for various reasons, may still vote for the Congress in the interests of stability. But these voters would vote for the Congress only if they are assured that the party's organisation is in good fettle and the party can present a united front. If this section can be assured on this point, the Congress can hope for a comfortable victory in the vast majority of constituencies, even if the opposition parties succeed in combining against the Congress. On the other hand, if this pre-condition is not fulfilled, the unofficial united front of opposition parties and even the Communists by themselves in their strongholds would prove formidable and succeed in cutting into the Congress strength.

The Communist party has not announced its nominees for a number of constituencies such as those from which the Chief Minister and the Ministers of the State and Central Governments are contesting, but, according to the party Secretary, Shri Rajasekhara Rao, the Commun-

ists would definitely contest against at least three State Ministers. On the other hand, they would like to arrive at an understanding with the Congress, if possible, so far as Hyderabad and Secunderabad are concerned, to oppose the Jan Sangh and the Ittehad-ul-Muslameen — both

communal organisations. In the capital of the State these communal parties seem to have acquired a considerable influence among the two major communities, so that they are considered as a serious threat even to the Congress.



کیلی پھب کتئی پنیو آتھو
کونگ کوئی رنگ کرنا دیو
زادول شال دونیو پنیو آتھو
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Book Review

Land Reforms and Group Dynamics

A D Monteiro

Next Step in Village India by Baljit Singh, Asia Publishing House 1961. Pp 135; Price Rs 9.50.

THE institutional framework of agricultural production is one of the important factors affecting rural living standards. The institutional framework includes: (i) land tenure—the legal or customary system under which land is owned and cultivated and its product divided between the operator and the owner; (ii) the distribution of ownership of farm property between large estates and peasant farms of various sizes; and, (iii) the organisation of credit for production and marketing which facilitates the commercial exploitation of agricultural production.

Far reaching land reforms, centred round the abolition of the Zamindari and the rights of intermediaries, have been introduced in the country during the last few years. The present study is based on research conducted in Uttar Pradesh under a project accepted by the Steering Committee of the Indian National Commission for Social Tension Project. It deals with the nature of land reform and its impact on poverty, land-hunger and group conflicts.

Land reform programmes, which were given a special place both in the First and Second plans have two specific objects. The first object is to remove such impediments to increase in agricultural production as arise from the agrarian structure inherited from the past and the second, which is closely related to the first, is to eliminate all elements of exploitation and social injustice within the agrarian system.

Rural Factions

The author begins his study with an analysis of factions and social tensions in the villages. He maintains that "all the villages studied by us were found to be sadly lacking in community in the sense of a cohesive group with an identity of interest and a 'we feeling'." He further says that "reality in respect of village India is simply shocking and even horrifying. Discontent, mutual bitterness, factionalism, continuous

litigation, violence against persons and property, insecurity, unhappiness, cruelty and apathy, poverty, hunger, disease, illiteracy, ignorance and stupidity, free fights for status, land and water, caste rivalries, group conflicts, corruption and bribery, social and individual disorganisation, social tensions, absence of any civic amenities, chronic under-employment and sub-human standard of living, helplessness, false dignity of labour, imitation of the city ways, caste distinction and segregation, untouchability, uncleanness, inconsistency and disregard to any moral code of ethics, characterise the rural solidarity, cohesiveness, mutual consideration and co-operation and simplicity of living and adherence to accepted norms" (pp 3-4). When one reads the author's description of village India one is reminded of Thomas Hobbes' picture of man in the 'state of nature.'

Land Reform

The root of all village factions according to the author, lies in the private ownership of land and in the unequal distribution of holdings. But the existence of unequal land holdings along with factions in the village does not prove that one is the cause of the other. The generalisation about the cause of factionalism in the village appears to be highly subjective and exaggerated in character. One would expect the generalisation to be supported by facts. Such statistics as are presented in support of these generalisations, only serve to underline the illogical character of the conclusions and the lack of objectivity.

The principles underlying land reforms are the same in all States. They may be summarised as follows: (i) to increase efficiency of agriculture, (ii) to secure social justice and (iii) to promote economic development. No land reform can be considered as progressive if it ignores the welfare of all those who contribute to agricultural production with their labour. The principles

underlying land reforms in India are right, but the results have been unsatisfactory because implementation of the reforms has been tardy.

The progress of land reforms may be considered under the following heads: (i) abolition of intermediary tenures, (ii) regulation of tenancy, and (iii) ceilings on holdings, redistribution of land and co-operative farming. In UP, before the abolition of Zamindari system there were 40 different types of land tenures. After its abolition there are only three tenures: Bhumindari, Sirdari and Assami. The main differences between the Bhumindari and Sirdari rights is that while both are permanent and heritable, a sirdar has no right of transfer and can also be ejected if he uses land in contravention of the provisions of law. The assamis are mostly the sub-tenants, holding land from disabled bhumidars or sirdars for a limited period. In UP no person holding 30 acres or more of land can purchase or otherwise acquire any more land in future.

The author has pointed out that the present series of land reforms in UP have not made all erstwhile tenants, owners. Ownership implies transfer of title right. The sirdars in UP do not have these rights. Ceilings have not been implemented and holdings continue to be in a chaotic state. The law in UP does not recognise share-cropping as sub-letting and, therefore, keeps the back door open for sub-letting.

The author also maintains that consolidation of holdings has been pushed through with great zeal in the State. But consolidation benefits only the large holders and tends to economise labour, thereby aggravating the problem of landless agricultural workers. According to the author, therefore, "Consolidation by itself is good, but it is self-defeating if introduced prematurely without land distribution and industrialisa-

tion to provide outlet for surplus agricultural labour".

It is pointed out that there is intense land hunger in the villages and entire social groups and classes which have no land have been subordinated and relegated to low positions. Moreover, the different castes and classes are not treated equally in the first round of land reforms. A pertinent question is whether land reforms are expected to be a cure-all for the class conflicts in the villages. The author carries his argument to a point when he, consciously or unconsciously, tries to relegate the accepted objectives of land reforms to a place of secondary importance. The elimination of class conflicts, the intensity of which has been greatly exaggerated, appears to be the prime objective of land reforms according to the author. One would like to know whether the introduction of caste criteria in land reform legislation would not make this difficult problem even more complex, generate fresh caste-rivalries and defeat the very objective of land reforms.

Cooperation as Panacea

The author's analysis leads him to the conclusion that individual family cultivation has failed utterly in our country. The man behind the plough remains underemployed and half-starved. To the author co-operation seems to offer the only way of making farming more intensive, of increasing employment in the field, of deploying labour for formation of agricultural capital in the village and of providing fresh incentive for workers by way of larger personal incomes in proportion to their work. A faction-ridden society, founded on individual land rights, is a stark reality that explains why agriculture and the villages are not on the move. The situation leaves no choice but to re-organise village life and economy along co-operative lines and to replace individual family cultivation by joint farming.

But the village factions, which the author has so vividly described, are certainly not conducive to co-operative farming either. Farmers whose relationship with one another is governed by mutual distrust and hatred will not pool their land and

resources for joint farming. The prescription of co-operative joint farming to smoothen out factions

may, therefore, on the contrary, make the disease even more universal.

Sugar Exports

INDIA exported 2,38,000 metric tons of sugar from January 1 to November 12, 1961. Exports to the United States totalled 1,48,000 metric tons and those to other countries 90,000 metric tons. The amount of foreign exchange earned was estimated at Rs 11.6 crores.

The average f o b price of sugar was estimated at Rs 536 per metric ton on exports to U S A and Rs 411 per metric ton on exports to

other countries. The exports effected so far this year involved a total subsidy of about Rs 5.5 crores by Government. A supplementary grant was sanctioned by Parliament during the last session for this purpose.

This information was given by the Deputy Minister for Food, Shri A M Thomas, in Lok Sabha on November 21.

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Dark Side of Full-Employment

George A Floris

Unlikely as it may sound to people in underdeveloped countries where the need to create jobs for the many millions unemployed is paramount, the full-employment in post-war Britain and in other countries has been far from an unmixed blessing.

Indeed, the disadvantages of full-employment are manifold, ranging from the pure economical to the social and moral.

BROADLY speaking, the fully employed nation is often comparable to a household whose members are too busy to keep their home in order. To begin with, the production process may be left uncompleted. Workers, sure of their jobs, slacken down on their duties and thus create further shortage of labour which is already scarce. With the production of goods falling short of market requirements, a vicious circle is set in motion: the price spiral shoots up and generates further wage demands and causes further drain on manpower due to the ensuing lure of profiteering.

Such "boom conditions" draw away workers from arduous yet essential tasks like coal-mining and agriculture, from nursing, attending the aged, the police force and jail personnel, into activities where there is plenty of easy money. Large sections of the population may thus go hungry and cold, while the young, the sick and the old may have to be left to the care of unsuitable persons—the idle, the corrupt, the sadists or the plain inefficient who lack the ability of cashing in on the more rewarding opportunities.

There are also the unsavoury psychological consequences which accompany the fully and particularly the 'over-fully' employed economies.

Employees in jobs—even the best employees in the best jobs—tend to be restless because of the constantly nagging problem: "Could I not do even better elsewhere? Don't I miss a more promising chance by sticking to my rut?"

That leads to an excessive turnover of labour and prevents good many workers from developing lasting and fruitful contact with their places of work. They usually leave an employer before they have obtained a complete experience of the work.

Mum at Work, Too

Opportunities are too enticing for housewives and mothers to stay in their homes—all the more so because, with wages chasing prices and the other way around, it becomes always more and more difficult to "keep up with the Joneses". So, with "mum" out at work to supplement the "old man's" wages, children have not sufficient supervision at home, just at a time when the schools are afflicted with serious staff problems.

With wives out at work and passing half their days surrounded by strangers, the divorce rate is also increasing. All these factors are largely responsible for the alarming rise in juvenile delinquency in some of the prosperous societies.

Children themselves are attracted to earn easy money "while the going is good". They may leave their studies unfinished, abandon vocational training or avoid apprenticeship in order to take up employment with humbler prospects but quicker returns. This trend, obviously enough, jeopardises the skill and quality of tomorrow's manpower. The competition for skilled jobs thus further reduced, there is a decline in the quantity and particularly in the quality of the national output.

The high premium on purely menial tasks imposes, at the same time, an additional psychological burden on the numerically inadequate teaching staff at the schools. Not even the best of masters is helped in his uphill task when some of the pupils take the attitude: "What's all 'is fuss 'bout spelling, Sir? Me dad can 'ardly write 'is own name, but 'e makes more 'an you do, Sir, 'e does."

On the whole, few people are sorry for the gradual disappearance of domestic service in the Western countries, because it is felt: "Why should a middle-class housewife not

do her own chores, just as other women do?" However, even this march of equality has its drawback.

In the past, the ladies of the middle-classes used to be the best customers of the booksellers and, indirectly, of the poets and the novelists. Now that they no longer have domestic servants—indeed, very often they go out to work themselves—their hours of leisure, enjoyably yet profitably spent over books in gone-by days, are practically non-existent. This state of affairs has already been unfavourably reflected in the sale figures of books and the better class of magazines. Authors, with the possible exception of the television script-writers, are therefore likely to suffer along with the poor housewives, working on "two shifts", in the office and at home.

Under such circumstances, the recent Commonwealth Immigration Bill, to bar from Britain thousands of willing hands ready to alleviate the strain, on her over-stretched manpower, is likely to do economic as well as political damage to the U.K.

Mysore Iron and Steel Works

THE capacity of the Mysore Iron and Steel Works will be expanded to 1,00,000 tons of steel ingots per annum during the Third Plan. The present annual capacity is 30,000 tons of steel ingots only. Included in the expansion programme are the L D plant and electric furnace for steel making, a billet and light structural mill and ancillary schemes for expansion of yard, foundry, etc. The Works will also complete installation of the sintering plant and the ferro-silicon plant which was undertaken during the Second Plan.

The Government is also considering a proposal to set up a tool and alloy steel plant with a capacity of 15,000 tons per annum.

Insurance of Bank Deposits

Manjula Bose

The Government has accepted the need for deposit insurance, albeit grudgingly and after procrastination.

According to the Deposit Insurance Bill, now passed by both Houses of Parliament, all deposits will be compulsorily insured, upto a maximum of Rs 1,500. Insurance will thus cover roughly less than half of an average deposit taking all banks and only one-third of an average deposit, taking only the big banks.

The low limit of insurance is likely to lead to considerable splitting up of accounts within and among banks. This, in turn, will increase the liability of the proposed Deposit Insurance Corporation.

THE decision to insure bank deposits in India embodied in the Deposit Insurance Corporation Bill, is a timely and welcome step. Ever since the series of bank failures in the immediate post-war years (1946-52), the issue of deposit insurance has received consideration from time to time. The Rural Banking Enquiry Committee (1950) gave some thought to it. However, the time was then regarded as inopportune for the introduction of deposit insurance because the Indian Banking Companies Act was still in the making. It was felt that a thorough study of banking in the country after the Banking Companies Act had come into being had to be made before introducing a scheme of deposit insurance.

The Committee on Finance for the Private Sector (the Shroff Committee) took considerable interest in the proposal for deposit insurance. It prepared a detailed scheme for insurance of bank deposits on the lines of the Federal Deposit Insurance Corporation in the U S A. But the proposal did not receive further attention from the monetary authorities at that time.

It was the failure of two scheduled banks in 1960—the Lakshmi Bank in Maharashtra in June and, more particularly, the Palai Central Bank in August—that led to some rethinking on the question of deposit insurance. In his speech at the Thirty-Third Annual Conference of the Indian Institute of Bankers in September 1960, Shri H V R Iyengar, Governor of the Reserve Bank, stated that a scheme for insurance of bank deposits was being actively considered by the Reserve Bank in collaboration with the banking industry. Then in November of the same year Shri Iyengar announced that condition of the Banking industry was quite sound and there was no

immediate need for deposit insurance. However, the reaction to the Palai Bank failure and the general demand for deposit insurance soon brought about a change of attitude.

The Deposit Insurance Corporation Bill was introduced in Parliament on August 31, 1961. It received the consent of the Lok Sabha on September 8. Under the Bill, a Corporation known as the Deposit Insurance Corporation will be set up by the Central Government. The general superintendence, direction and management of the affairs of the Corporation shall vest in a Board of Directors. The Corporation will have an authorised capital of Rs 1 crore, fully paid-up and allotted to the Reserve Bank. The Corporation will register every existing licensed banking company and every new banking company, as soon it is granted a licence by the Reserve Bank. All deposits upto a limit of Rs 1500 will be insured.

Frequent Bank Failures

The undeveloped nature of the Indian money market is reflected in the frequency of bank failures, even in normal years. Some idea of the consequent financial loss to depositors and shareholders can be had from the table below.

These losses occurred inspite of the fact that these were normal years for Indian banking. The failure of the Palai Bank, therefore, was not a stray incident. What drew attention in this case was not only the fact that it was a scheduled bank (for the Lakshmi Bank was also a

scheduled bank), but that the Palai Bank was the biggest commercial bank in Kerala. Its failure had a widespread reaction on the banking industry in that State. The shock was all the greater because, until August 1960, the Palai Bank was known all around as a growing concern. Its deposits and advances were increasing. It was paying dividends at the rate of 4 to 5 per cent a year as late as 1957. Only in 1960 it had opened two new branches. Actually the position of the bank had been deteriorating ever since 1951. In spite of repeated warnings from the Reserve Bank, the Palai Bank had been following undesirable policies. By the middle of 1960 it was felt that the situation was hopeless and that there was no alternative to liquidating the Palai Bank. Prior to the passing of the Banking Companies Act in 1949, whenever there were bank failures, the Reserve Bank had pleaded its legal powers of supervision, inspection and control over the banks were inadequate. Under the Act of 1949, wide powers of supervision, inspection and control were granted to the Reserve Bank. The Reserve Bank's failure to remedy the unsatisfactory state of the Palai Bank over nine years is, therefore, indefensible.

Apart from the immediate financial loss to depositors, bank failures affect the development of banking in the country. Growth of strong banks and of the banking habit will help in mobilising domestic savings and putting them to productive use. The tardy growth of the banking

Paid-up Capital and Deposits of Banks Which Went into Liquidation during 1956-59

Year	Number of Banks	Paid-up Capital (Rs)	Deposits (Rs)
1956	19	19,76,745	54,65,517
1957	25	27,55,974	22,79,187
1958	23	32,93,641	174,47,560

Source: 'Statistical Tables Relating to Banks in India', Reserve Bank.

habit is partly due to a lack of confidence in banks. This want of confidence is further increased by bank failures.

Aim of Deposit Insurance

Insurance of bank deposits aims at reducing the losses of account of bank failures in two ways. First when a bank fails, the insurance organisation pays off depositors. Insurance coverage may be full or restricted and the insurance organisation will pay off whole or part of the deposits, standing to the credit of each depositor. Second, deposit insurance seeks to prevent the loss of confidence in a bank and the consequent panicky withdrawal of cash, which are the immediate causes of bank failures. No bank, however sound, can withstand sudden loss of confidence and hasty withdrawals of cash for long.

The tremendous success of the federal Deposit Insurance Corporation in the U S, in spite of initial doubts about its utility, is an inspiring example for India. The F D I C was set up by the Banking Act of 1933. Since 1934, the number of bank failures in U S has been unusually low even for a period of recovery and prosperity. This was due, partly, to other favourable factors, but mainly to the activities of the F D I C and the consequent improvement in bank supervision and management. As a result of the small number of bank failures, the losses and operating expenses of the Corporation have been less than its income. In consequence, it was possible for the Corporation to reduce the effective premium rate. The official rate has been maintained at 1/12th of 1 per cent since 1950, but the Corporation has been providing a credit to insured banks in years in which the Corporation's assessment income exceeded its expenses and losses. As a result, the actual premium rate is now about 1/27th of 1 per cent. The maximum amount of deposits covered by the scheme was also raised from \$5,000 to 10,000 for each depositor.

A scheme of deposit insurance can be very useful in this country too. It would help to maintain confidence in banks. The majority of depositors or would-be depositors in our country is not in a position to judge the soundness or integrity

of a bank. A scheme of deposit insurance will afford some protection to this class of depositors. Further, the powers of direction and examination granted to the Deposit Insurance Corporation will prove a useful second line of defence in addition to statutory powers of the Reserve Bank. In this respect the mode of operation of the F D I C in U S A has been largely followed in the proposed scheme of deposit insurance in India. According to section 34 (1) of the Bill, the Corporation may at any time ask an insured bank for such statements and information relating to its deposits as the Corporation may consider necessary. The Corporation shall also have free access to all such records of an insured bank as may appear necessary to the Corporation for the discharge of its functions. The bank will be bound to furnish these records. [Sections 35 (1) and (2)]. The Corporation may further request the Reserve Bank for inspection of the books and accounts or generally to enquire into the affairs of an insured bank. [Section 36 (1)]. After carrying out such inspection or investigation, the Reserve Bank will submit a copy of its report to the Corporation. The Reserve Bank will also, if requested by the Corporation, furnish to it any report or information relating to an insured bank obtained by it in pursuance of the Reserve Bank of India Act, 1934, or the Banking Companies Act 1949.

Such duplication of supervisory authority wielded by the Reserve Bank on the one hand and the Deposit Insurance Corporation on the other need not lead to complications or shifting of responsibility. For, convenient working arrangements can be made between the two, as has been achieved in the U S. On the other hand, this will make for more effective check on the activity of the banks.

It is sometimes argued that deposit insurance will be useful only when bank failures are localised. When it is a question of global shortage of liquidity and bank failures are nation-wide, the Deposit Insurance Corporation cannot help. Nobody expects the Corporation to provide the necessary liquidity in

such an emergency; that is the function of central bank — the lender of the last resort.

Why Big Banks Oppose Scheme

Any scheme of deposit insurance is usually opposed by the bigger banks for they have to bear a heavier burden relatively to the benefit. The incidence of failure among them is lower, so the risk insured against is smaller. Moreover they have to pay premium on all deposits, not just the insured part of the deposits. The value of non-insured part of deposits is higher in their case because of the comparatively larger size of deposits. However, if there is a severe loss of confidence in small banks, it affects bigger banks too. Failure of the Palai Bank had a temporary adverse reaction on two of India's biggest banks — the Punjab National Bank and the Indian Bank. Deposit insurance will help bigger and smaller banks alike by encouraging the inflow of deposits. Deposit insurance cannot be successful unless bigger banks join it. Under the Insurance Bill, therefore, registration with the Deposit Insurance Corporation is compulsory for all licensed banks.

The question is, how far the benefits expected from deposit insurance are likely to be realised under the proposed scheme. Deposit insurance raises questions about the capital structure and borrowing powers of the proposed Corporation, the rate of assessment of premium and the coverage to be given. The capital structure and borrowing power must be adequate to face all losses due to bank failures. The rate of premium must be such as to ensure the Corporation adequate income; yet, a high rate will impose a great burden on banks. The coverage must be such as to give protection to a considerable proportion of the deposits, if not all. All these decisions will be influenced by the amount of risk involved. Strictly speaking, the risk of bank failure is not calculable for insurance in the same way as that of, say, death or fire. Bank failures tend to be concentrated in particular years. In this case past experience cannot be a guide to the future. Decisions about coverage, rate of premium etc are bound to

be somewhat arbitrary at the beginning. Their correctness or otherwise will only be proved by trial and error.

Shroff Committee's Proposals

In the scheme formulated by the Shroff Committee, it was recommended that the Deposit Insurance Corporation should start with an initial capital of Rs 5 crores and the maximum coverage of deposits should be Rs 5,000 for each depositor. The aims of the present Bill seem modest by comparison. The share capital of the Corporation has been fixed at Rs 1 crore and the maximum coverage for each depositor at Rs 1,500. The share capital will stand allotted to the Reserve Bank. The Corporation will also build up a Deposit Insurance Fund from the income received by the Corporation as premium, subsequent repayments made to the Corporation for payments of insured deposits to depositors in cases of liquidation or amalgamation of banks, advances made by the Reserve Bank or from the General Fund and income from investments made out of the fund.

In the U S the ratio of capital to total deposits of insured banks has been about 0.73 per cent. This ratio was built up on the basis of the total loss to depositors over a period of 76 years between 1863 and 1940. When this capital was repaid, the Deposit Insurance Fund came to bear the same ratio to total deposits. The size of the proposed capital of Rs 1 crore seems too small compared to these standards. The ratio of the proposed capital to total deposits of all banks for the year 1958 and 1959 amounts only to .00064 per cent and .00049 per cent. It is true that bank failures never reached the same magnitude and frequency in India as in the U S. But the size of the Corporation's capital seems insignificant compared to the size of the deposits of even the banks that have failed. In fact, it is actually less than the total deposits of banks which failed in 1958.

It might be argued that the liability of the Corporation is also very limited because the limit for insurance is only Rs 1500 per deposit. But this limited protection defeats the very purpose for which deposit insurance is to be introduced.

The insurable limit should be fixed with reference to the average size of deposits per account. The average size of deposits of all banks in India in 1959 amounted to Rs 3,400. For the bigger banks which commanded a major proportion of total deposits the average size was more than Rs 4,700 per deposit.

Low Limit of Insurance

Compared to this the insurable limit seems to have been fixed very low. The higher the coverage the more extensive is the protection offered by deposit insurance and the greater is its psychological effect. Suggestions were made during the Lok Sabha debate that the coverage be raised from Rs 1,500 to Rs 3,000 if not Rs 5,000 per deposit. According to Shri B R Bhagat, Deputy Finance Minister, the limit of Rs 1,500 is sufficient because though it covers only 20 per cent of the total deposits of all banks, it covers 75 per cent of all accounts. Moreover, he said, deposits of banks which might be regarded vulnerable did not constitute even 4 per cent of the total deposits of commercial banks. But if the problem is so insignificant then why insure at all?

The fact that it will cover less than half of the average size of deposits of all banks and only one-

third of the average size of deposits of the big banks means that the deposit insurance scheme will place an extra burden upon the bigger banks with little corresponding benefit because they will have to pay premium on all deposits, not just insured deposits. It is also likely to lead to considerable splitting up of accounts within and among banks, for in the event of failure of the bank Rs 1500 is the maximum which any depositor will get in respect of his deposit in the same right and in the same capacity. The splitting up of accounts might increase the liability of the Corporation much higher than it now seems likely to be. It will also lead to complications and will increase operating expenses of banks. A consolidated and higher margin for each depositor would, therefore, be more desirable. The Deputy Finance Minister's argument that the small coverage would not lead to splitting up of accounts because people tend to keep money in the bank in which they have confidence was not convincing. The maximum rate of premium allowable under the Bill is 15 nP per hundred rupees. It has been hinted that the actual rate would be 5 nP per Rs 100 or 1/20th of 1 per cent at the beginning. This is a rate far lower than had been anticipated by banks.

Around Bombay Markets

Sharp Break in Equities

Thursday, Morning

AN avalanche of selling swept Dalal Street on Monday 27th November. Equities simply tumbled down. Century fell from Rs 615 to Rs 593, Kohinoor from Rs 324.50 to Rs 312, Standard from Rs 1170 to Rs 1110, Indian Iron from Rs 26.15 to Rs 25.40, Tata Steel from Rs 149 to Rs 145.25, Telco from Rs 371 to Rs 360, Voltas from Rs 318.50 to Rs 307.50, Bombay Burmah from Rs 685.50 to Rs 668, Hindustan Motors from Rs 21.48 to Rs 20.84, National Rayon from Rs 593.50 to Rs 573 and Premier Construction from Rs 198 to Rs 189. Vyapar's equity share index recorded a fall of 3.61 from 149.08 to 145.47 on Monday and it was further down to 144.10 on Tuesday but later it steadied a little to around 145.80.

Monday's fall was one of the sharpest declines suffered by Dalal Street on any single day during the year. In a matter of two-and-a-half hours the stock market lost nearly all the gains it had recorded over as many weeks. What caused this sharp break in equities? Could it be the high carryforward changes? Not quite, because the market had known all about them on Friday evening when it pushed National Rayon and Voltas to new high levels of Rs 601 and Rs 322 respectively. Shri Morarji Desai's statement in the Lok Sabha that a system of automatic margin would soon be introduced on the stock exchange also contained little that was not already known to the market. In fact, the stock exchange has reason to feel happy that the revised margin system is not as rigorous as it had been feared earlier. Rarely do shares fluctuate by more than 10 per cent in one settlement or by 15 per cent in two settlements. In fact, seldom does the range of fluctuations, even in the speculators' favourites, exceed more than 20 to 25 per cent in a year. Many observers attributed last week's shake-out to anxiety over the developments around Goa and across the northern borders.

The real explanation for last week's sudden break in equity prices lies in the weakness of the market itself. In a bull market, when too much pressure has been generated on the upside, a technical correction occurs in much the same manner as the safety valve of a steam boiler pops and relieves the pressure before the factor of safety of the boiler has been exceeded. These technical corrections are the most effective checks on excessive speculation. A speculative market contains within itself a self-adjusting mechanism to correct its errors of optimism and pessimism. Regulatory measures should therefore be aimed mainly at ensuring the solvency of the market.

Monday's sharp break in equities suggests that Dalal Street has cried a halt to the upward trend which had been in force since the end of August. How long the market might take to correct its technical position, is difficult to say. But it is quite possible that the correction might prove to be a rather long-drawn-out affair.

Cotton

Prices Hold Firm

COTTON arrivals are still too small for this time of the year, though they are picking up. Apart from the delay in the movement of the crop, poor arrivals reflect the heavy damage to the early maturing crop of Madhya Pradesh. The continued slow pace of arrivals has encouraged many observers to think that the 1961-62 crop might not exceed 47 lakh bales. If the crop were to be that small it would further reduce the carryover at the end of the season because it is doubtful whether the shortfall in the indigenous crop will be made by larger imports. Tight foreign exchange position does not permit large imports from the sterling area and prospects of obtaining huge supplies of cotton from the U S under PL 480 are not considered to be very promising. The current season has run only three months and cotton prices have already shot through the ceiling. Compulsory

survey has been revived and regional committees are being appointed to carry out the necessary survey. The rise in cotton prices above the statutory ceiling rates indicates an imbalance between demand and supply which is unlikely to be corrected even when the crop movement gets into full swing. Compulsory survey alone might not do. If price control is to be made a success, the authorities will find it necessary to resort to requisitioning and freezing of stocks. The Indian Cotton Mills Federation has issued an appeal to the member-mills to cooperate with the authorities but most mills continue to purchase cotton at above the ceiling rates. How the Price Control Order is circumvented is too well known to need any mention; inferior cotton is passed on as superior variety. Business in ready cotton has dwindled considerably as a result of prices rising above the ceiling rates.

Export Ceiling Reached

The ceiling fixed for registration of sales of Bengal Deshi cotton released for export in September has been reached. Of the 125,000 bales allowed for export the shippers' share had been fixed at 118,750 bales. The balance had been reserved for cooperative societies. Japan is reported to have purchased the bulk of the quota. Overseas demand is still good and in view of the sizable exportable surplus the Government would be well-advised in announcing a further quota at the earliest. The Deshi crop this season is estimated around 4.25 lakh bales. It should not be difficult to export at least 2.5 lakh bales if not more. Bengal Deshi prices have come down by about Rs 20 a candy after the announcement of export ceiling having been reached.

Cotton futures last week fluctuated irregularly with quite a firm undertone. After recording a new high of Rs 659.75 the March contract reached to Rs 651 but improved again to Rs 657.75 before winding up the week at Rs 655.25. Business was limited because of the margin and activity was mostly of a jobbing nature.

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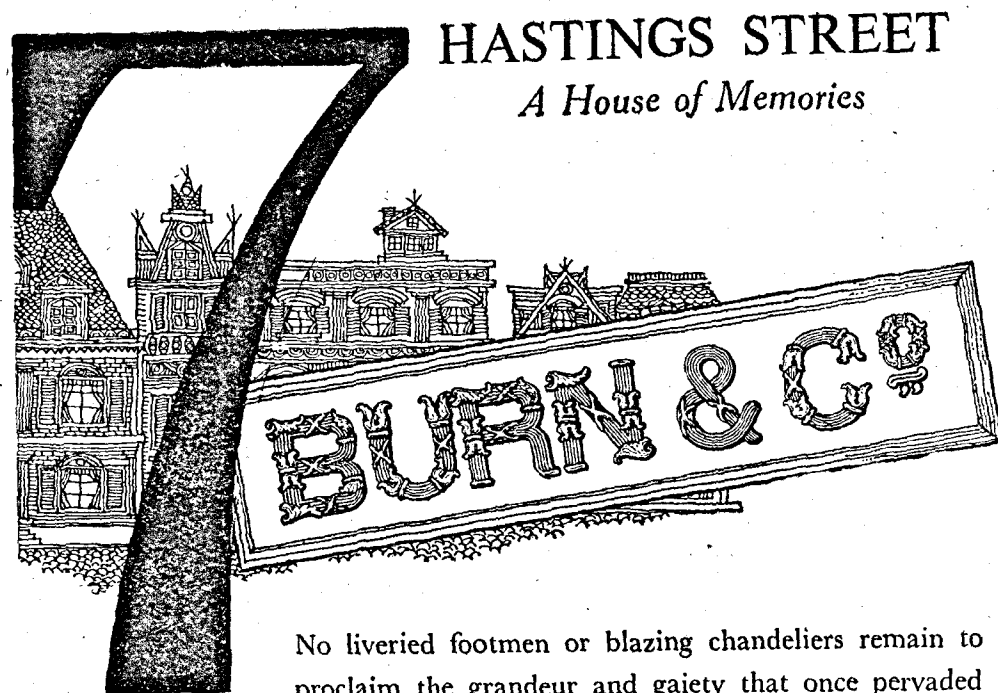
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Oilseeds

Exports at Standstill

EXPORTERS of oils and oilcakes are feeling uneasy because of the declining fortunes of their trade. Exports this year are likely to show a substantial decline over the previous year's performance and the distant prospect seems far from encouraging. Groundnut extractions have not fared badly but shipments of castor oil and linseed cake might not reach even half of their 1960 figures. Only cottonseed cake has done better. Groundnut oil and linseed oil had long been priced out of world markets and now even castor oil is finding it difficult to compete with Brazilian oil on the Continent as well as in the UK where Indian oil enjoys a preferential treatment. It would be idle to expect internal prices to come down to around world parity, domestic influences being against any such decline. The disparity has come to stay and the Government will have to formulate an export policy which makes it possible to sell high-priced oils in overseas markets. The various measures taken by the Government up to now have failed to produce results; New Delhi will have to do some serious rethinking on the problem if exports are not to suffer.

Excepting some hectic short covering in groundnut extractions by shippers in order to fulfil their old commitments, export houses did not have any important fresh business to report last week. Scarcity of supplies resulting from the delay in the crop movement has forced exporters to cover their sales abroad at considerable losses. The prices of groundnut extractions have recorded marked improvement over the past two weeks and the rise is really steep when compared to the lowest prices recorded about six weeks ago. Groundnut extraction November shipment has risen from £28.15 to £33, December from £28.5 to £32 and the distant January-March position from £27 to £29. Exporters do not expect the present strength to be maintained for long in face of improved supplies of groundnut extractions in the near future. The export outlook for castor oil is considered to be bleak. British East African castor beans are quoted around £52.15 per ton on the Continent and Brazil is offering its

castor oil first pressure around £104 which works out to be much below Indian parity. About linseed cake, the less said the better. Apart from the scarcity of supplies, it being the fag-end of the season, Indian linseed cake is simply not wanted abroad because of its uncertain quality.

Prices Recede

The week's trading in oilseeds futures was devoid of any outstanding features. Groundnut moved up and down in a narrow range with quite a firm undertone. Neither bulls nor bears were inclined to be aggressive and for quite obvious reasons. The pace of arrivals is still too slow to embolden bears to press sales in futures. And bulls are afraid of the Forward Markets Commission which has already stopped outward payments and also fixed a ceiling at Rs 215 for the groundnut hedge contract. The January contract fluctuated between Rs 212 and Rs 210.25 per 250 kilograms throughout the week and groundnut oil futures moved between Rs 17.25 and Rs 17.45 per 10 kgs. Linseed futures moved irregularly lower from Rs 39.50 to Rs 38.50 on bull liquidation and lack of fresh support. Wednesday's closing of Rs 38.81 was only slightly down from the previous week-end's closing rate of Rs 38.97 per 50 kgs. Cottonseed futures held firm around Rs 107 most of the time but declined to Rs 104 at the week-end on bull liquidation induced by the increased tempo of cotton arrivals in terminal markets. Castor futures continued to fluctuate erratically between Rs 163.75 and Rs 158.50, depending solely on the changing moods of professional speculators. Overseas advices in respect of castor oil were never encouraging.

Bullion

Silver at New Peak

SILVER prices, which had been displaying remarkable strength for quite a long while, recorded a further impressive rise during the week. But last week, silver made world news and the rise in Magsar delivery in Bombay from Rs 211 to Rs 213.40 per kilogram on 29th November was a part of world phenomenon. In London, dealers raised the price of silver by 4½ pence to 84½ pence sterling per ounce on 29th November — the biggest jump in one day for years. Normally price

movements in London are registered in a farthing per ounce or less. The sudden spurt followed the US Government's decision to suspend the sale of silver from the Treasury in view of the marked decline in its stocks. The use of treasury reserves for coinage has also been restricted. With demand outstripping supply, the price of silver had been rising since long in the US. Treasury's stocks which stood at 123.5 million ounces on 1st January have declined to barely 32 million ounces (22nd November). The loss in the past one week alone is placed around 16 million ounces. The US is one of the chief producers of silver and offerings from the US silver mines have been steadily deteriorating.

Notwithstanding the marked rise in silver, gold in Bombay continued to show a quietly steady tendency throughout the week. The quotation for Magsar delivery moved irregularly between Rs 124.35 and Rs 122.40 and Wednesday's closing of Rs 123 showed a net gain of 70 nP per 10 grams over the week.

Atomic Research for Peace

THE Government of India through its Department of Atomic Energy has recently concluded an agreement for development of atomic energy for peaceful purposes with Aktiebolaget Atomenergi of Sweden. Letters to this effect have been exchanged between Dr Harry Brynielsson, President of Aktiebolaget Atomenergi and Dr H J Bhabha, Chairman, Atomic Energy Commission. The agreement broadly provides for collaboration in the following fields:

- widened exchange of unclassified information and documents;
- reciprocal exchanges of qualified personnel in certain spheres;
- experiments involving irradiation of materials in the Canada-India Reactor at Trombay and the Reactor R-2 in Sweden; and
- extension of facilities for the purchase of nuclear materials and equipment required by either organisation.

Aktiebolaget Atomenergi, a semi-State company in which the Government of Sweden has the majority of shares, is the central body for applied research and development work in the field of nuclear energy in Sweden.

Company Notes**BOMBAY BURMAH PREPARES TO ENTER NEW FIELDS**

ALL speculation about Bombay Burmah Trading entering into new fields have been set at rest by the Chairman Shri Pratapsinh Mathuradas. He has confirmed at the annual general meeting that the Board fully appreciates the need for a balanced diversification of industrial undertakings, particularly in present Indian conditions, and that various proposals are under detailed examination. One of the projects which are under negotiation is the manufacture of "Formica" laminated plastic products in collaboration with Formica International, a subsidiary of De La Rue of the U K, involving a capital outlay of over Rs 1 crore.

The undertaking of the new project in India also provides an answer to frequent criticism voiced by shareholders that the Corporation is concentrating its activities too much outside India and that it should pay greater attention to enlarging them in India. Shri Pratapsinh says that it has taken several years for the Corporation to build up its war damages and the directors' policy was to achieve a steady and adequate dividend level which can be sustained. Now that this point has been reached, it has been possible for the Corporation to look into fresh avenues of development.

While admitting that preliminary negotiations are in progress with Tata Chemicals for the joint working of the bauxite project, Shri Pratapsinh says it will be unwise to draw any conclusions from these talks, as these are of a purely exploratory character.

Shri Pratapsinh has not ruled out the prospect of a bonus issue by the Corporation but this is closely linked with the question of reconstructing the capital structure itself, which is receiving the directors' close attention. It is their intention to seek a formula which will prove to be in the best interests of the shareholders. The Chairman has assured that, as soon as the reconstruction of the capital structure is finalised, the issue of bonus shares will be taken up.

The Chairman's speech strikes a note of optimism about existing ventures, particularly in North

Borneo. The subsidiary North Borneo Timbers is engaged in two planting ventures, namely cocoa and palm oil. The first results of cocoa planting are encouraging, but it will be some time before significant income is earned from this. The palm oil planting is also expected to grow into a large-scale and profitable enterprise over the next six or seven years. While timber business in North Borneo has suffered somewhat during the current year, the Chairman feels that over a period the markets are likely to hold up fairly well and long-term prospects for timber business are bright.

Sirpur Paper's Higher Dividend

AN increase of Rs 13.90 lakhs to Rs 89.10 lakhs in the gross profit is disclosed by the accounts of Sirpur Paper Mills for the year ended June 30, 1961. Of this rise, as much as Rs 13 lakhs is accounted for by income from fire claims in respect of raw materials and stores destroyed and machinery damaged as a result of a fire which led to the closure of Machine No 3 for about a fortnight. Even after making allowance for this income, the profit should be considered satisfactory, in view of the fact that production of paper was not higher than in the previous year and the impact of the cut in paper prices from January 1, 1960 was felt for a full year. The ratio of profit to sales, even without taking into account the fire claims, has risen slightly from 17.3 per cent to 17.6 per cent and, with the fire claims which compensate the loss of production etc, the profit ratio for the year under review comes to 20.7 per cent.

The net profit of Rs 33.32 lakhs shows a rise of only Rs 7.80 lakhs, on account of the larger provision for depreciation, which has been raised from Rs 46.82 lakhs to Rs 52.81 lakhs. The depreciation provision would have been higher still, had the company followed the "reducing balance" method of computation hitherto adopted, under which the provision would come to Rs 58.68 lakhs. The company has now switched over to the "straight line" basis permissible under section 205 (2) (b) of the Companies Act 1956. There is no tax liability, in view of

the past losses and arrears of depreciation.

The net profit, after providing for preference dividend liability, gives an earning of Rs 1.26 per ordinary share, and covers nearly two-and-a-half times the proposed dividend of 85 nP per share against 65 nP per share paid for the previous year.

Out of the net profit of Rs 33.32 lakhs, which is being supplemented by excess provisions written back amounting to Rs 1.50 lakhs, the directors have transferred Rs 10.04 lakhs to the various reserves. It may be argued that a more liberal allocation to the reserves could have been made, with a view to conserving more resources to finance the expansion programme. Evidently, the directors have thought it fit to offer a bait by way of higher dividend to the shareholders in view of the heavy rights issue proposed. The dividends on the ordinary and preference shares will absorb no less than Rs 24.11 lakhs of the profit available for appropriation.

Considering the age of the company, the reserves and surplus built up so far at Rs 73.10 lakhs are poor, representing a little over 25 per cent of the paid-up capital of Rs 289.97 lakhs. Borrowings amount to Rs 210.39 lakhs and current liabilities and provisions aggregate Rs 81.26 lakhs. The block account has been written down from Rs 665.13 lakhs to Rs 425 lakhs and capital work-in-progress stands at Rs 37.89 lakhs. Investments and current assets at Rs 191.83 lakhs do not provide adequate cover to the loans and current liabilities.

Mysore Spinning and Manufacturing

THE issue of additional capital of Rs 19.81 lakhs in the form of one-for-two rights shares by Mysore Spinning and Manufacturing is to provide a part of the finance required for the new processing factory that is being set up at Bangalore at a cost of Rs 37.66 lakhs. A portion of this expenditure has already been covered by the rights issue of the value of Rs 9.89 lakhs made in October 1960. The balance of the expenditure will be covered by the latest rights issue.

The company purchased in 1960-61 from Minerva Mills its bleach

and dye house and this is being developed into a full-fledged processing factory which will cater to the needs of both Minerva Mills and Mysore Spg and Mfg. The new processing factory is expected to be in production before the end of the current financial year.

The company has just installed a new Witten high speed combing machinery at a cost of Rs 4.75

lakhs at Malleswaram, Bangalore, to improve the production and quality of yarn. In addition, it proposes to purchase a waste spinning plant, with a complement of 1,200 spindles and this is expected to be installed in the second half of 1962 at an estimated cost of Rs 11 lakhs. The installation of this plant will considerably improve the efficiency of the mills.

The working of the mills during the current year is said to be more remunerative than in recent years. With the commissioning of the new processing plant, the profitability of the mills will improve still further. Barring any unforeseen circumstances, the directors are hopeful that the company will be able to maintain its dividend-paying capacity even on the higher capital.

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CURRENT STATISTICS

BANKING RETURNS (Rs crores)				
Reserve Bank	Nov 24	Nov 17	Oct 27	Nov 25 '60
1. Note circulation	1902.67	1920.42	1882.25	1810.97
2. Rupee coin	124.66	123.18	127.25	130.79
3. Deposits	304.98	302.69	318.04	265.91
(a) Central Govt	49.39	62.50	64.78	67.35
(b) Other Govts	22.34	11.13	20.33	10.32
(c) Banks	84.12	82.83	86.37	98.48
(d) Others	149.13	146.24	146.55	89.75
4. Foreign securities	116.86	116.86	116.86	123.01
5. Balance abroad	28.98	24.58	28.33	16.96
6. Rupee securities	1558.84	1578.84	1558.86	1462.06
7. Investments	205.18	180.52	200.81	244.16
8. Loans and advances to Govts	66.46	73.60	62.38	31.39
9. Other loans and advances	129.58	131.85	129.53	114.50
Scheduled Banks	Nov 17	Nov 10	Oct 20	Nov 18 '60
1. Aggregate liabilities	1877.18	1874.64	1878.31	1885.62
2. Aggregate deposits (net)	1800.56	1798.37	1799.08	—
Demand (net)	717.58	721.70	723.47	768.46*
Time (net)	1082.98	1076.67	1075.61	1117.16†
3. Cash in hand	50.71	55.10	52.62	46.23
4. Balance with Reserve Bank	76.69	71.20	76.46	93.09
5. (3) + (4) as % of (1)	6.79	6.74	6.87	7.39
6. Borrowings from Reserve Bank	4.92	26.14	12.84	17.86
(a) Against usance bills and/or promissory notes	2.21	12.69	7.20	6.86
(b) Others	2.72	13.46	5.65	11.00
7. Advances	1037.57	1045.71	1053.45	952.76
(a) State bank	226.84	231.54	232.94	194.77
(b) Others	810.73	814.17	820.51	757.99
8. Bills discounted	141.64	141.83	132.73	104.82
(a) Inland	46.71	47.11	46.38	49.16
(b) Foreign	188.35	188.94	179.11	153.98
(c) Total	15.35	14.34	11.76	14.87
(i) State Bank	173.00	174.60	167.35	139.11
(ii) Others	65.31	65.86	65.62	58.69
9. Investments in Govt securities	607.16	610.94	612.89	630.14
(a) State Bank	250.13	251.68	257.34	328.46
(b) Others	357.03	359.26	355.55	351.68
10. (10) as % of (1)	32.34	32.59	32.63	36.07
Cheque clearance	224.08	151.52	145.56	221.35
* 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 cent per annum)				
(Selected Scheduled Banks other than the State Bank)	Nov 17	Nov 10	Oct 20	Nov 18 '60
Call Money	—	4.50	3.80	4.05
Deposits:				
Seven days	3.00	3.00	3.00	2.00
Three months	—	—	—	3.50
Six months	3.75	3.75	3.75	3.48
Bombay Bullion (Rs and nP)				
Nov 30	Nov 23	Nov 2	Dec 1	'60
Gold (per 10 grams)	122.25	122.40	122.75	114.50
Spot	123.30	123.75	124.20	115.85
Forward	—	—	—	—
Silver (per kilogram)	212.15	209.75	206.70	196.50
Spot	213.25	211.30	208.10	198.25
Forward	—	—	—	—

INDEX NUMBER OF INDUSTRIAL PRODUCTION (Base: 1951 = 100)				
Industry	July	May	April	July
Mining and quarrying	152.1	168.6	166.3	149.7
Coal	143.2	158.3	156.3	139.7
Iron ore	279.0	315.8	308.5	292.9
Manufacturing	172.2	167.7	182.8	161.4
Sugar	8.8	82.3	441.6	5.6
Tea	196.1	98.3	64.1	157.2
Vegetable oil products	183.6	189.6	205.6	177.3
Cigarettes	194.7	200.7	200.9	161.5
Textiles	114.4	115.1	114.1	119.9
Cotton	121.2	115.3	113.8	118.1
Jute	93.8	114.2	114.7	125.5
Footwear	191.7	164.4	170.1	156.3
Paper and paper boards	271.5	275.7	264.3	255.0
Rubber products	242.4	224.1	202.2	239.2
Tyres	298.1	240.3	262.1	268.6
Tubes	259.3	238.9	271.1	255.5
Chemicals and chemical products	297.0	277.8	268.6	257.6
Sulphuric acid	409.4	364.5	359.0	348.1
Caustic Soda	817.7	769.8	778.5	644.5
Soda ash	343.9	384.3	358.0	263.4
Super phosphates	634.0	638.7	638.7	512.1
Ammonium sulphates	777.7	672.3	648.1	757.9
Paints and varnishes	193.9	162.2	156.9	135.8
Soap	178.3	169.9	184.0	179.8
Rayon	1087.3	997.1	899.4	938.2
Non-metallic mineral products (except petroleum and coal)	239.8	253.5	251.5	230.8
Glass and glassware	213.4	205.2	221.6	217.8
Cement	231.6	261.3	253.2	229.2
Ceramics	277.2	271.3	273.1	239.6
Basic metal industries	234.6	226.2	259.3	212.0
Iron and steel	259.4	240.7	284.9	195.0
Pig iron and ferro-alloys	255.5	268.8	274.9	186.4
Finished steel	255.8	229.5	288.9	198.4
Non-ferrous metals	239.1	280.0	287.8	407.3
Aluminium	445.2	408.4	463.8	484.3
Gold	69.0	62.5	57.6	66.6
Metal products (except machinery and transport equipment)	408.7	362.9	313.7	295.5
Machinery (except electrical machines)	597.8	544.1	550.1	545.2
Deisel engines	512.1	550.5	614.6	665.7
Power-driven pumps	332.4	285.3	285.3	232.4
Sewing machines	770.4	664.2	644.4	606.2
Machine tools	1553.8	1095.4	917.2	1108.0
Electrical machinery	456.8	422.9	411.6	361.3
Conduit pipes	342.3	349.0	349.2	92.4
Electric motors	627.7	552.1	569.7	490.8
Power transformers	938.7	773.0	862.6	497.5
Electric lamps	312.5	298.0	288.3	239.5
Electric fans	539.0	528.2	532.2	432.2
Radio receivers	410.4	369.6	355.7	302.2
Transport equipment	297.6	308.0	307.9	281.4
Automobiles	246.4	254.3	258.4	231.3
Bicycles	896.5	936.8	888.0	867.4
Electricity generated	331.2	330.4	318.8	278.7
GENERAL INDEX				
Crude	174.2	171.3	184.6	163.1
Seasonally adjusted	173.2	171.6	185.4	162.2

Source: Department of Commercial Intelligence and Statistics, Government of India, Calcutta.

INDUSTRIAL PRODUCTION

Selected Industries

(Monthly Average or Calendar Months)

Unit	1961		1960		1959	1956
	April	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Consumer Goods						
Cotton Textiles	—	422.2	430.0	430.3	413.1	410.3
Vegetable Oil Products	36.0	33.7	25.8	24.9	28.9	32.4
Sugar	—	516.2	254.9	12.5	114.9	471.9
Sewing Machines	—	26.2	26.1	23.6	24.7	24.0
Electric Fans	—	92.4	91.1	81.3	81.8	76.1
Raw Materials and Intermediate Goods						
Cement	685.2	695.4	688.7	613.3	643.8	645.1
Chemicals						
Sulphuric Acid	—	31.5	27.5	30.0	29.4	31.0
Caustic Soda	9.8	9.1	8.3	8.0	8.2	8.5
Soda Ash	14.4	3.7	13.4	12.2	11.2	11.5
Coal	—	5295	4892	4158	4292	4259
Cotton Yarn	—	1506	1505	1481	1394	1409
Jute Manufactures	80.5	85.0	88.4	91.5	92.0	89.4
Non-ferrous Metals						
Copper	810.0	563.0	753.0	759.0	729.0	728.5
Aluminium	1511.2	1470.4	1505.7	1562.2	1539.9	1478.6
Lead	200.0	342.1	375.2	259.3	295.0	317.8
Paints and Varnishes	—	4417	4322	4150	4289	4148
Paper and Paper-boards	—	30.2	30.0	28.4	28.4	28.5
Iron and Steel						
Pig Iron	—	404.9	385.4	323.8	314.4	343.7
Steel Ingots and Castings	—	325.3	314.7	265.5	244.0	259.1
Semi-finished Steel	—	110.5	338.9	265.6	265.8	271.1
Finished Steel	—	241.4	206.4	183.1	166.5	171.6
Capital Goods						
Machine Tools	—	6628.8	6034.9	4919.7	3199.6	5879.6
Diesel Engines	3727	3732	3722	3892	3329	2957
Electric Motors	—	62.8	65.2	61.2	52.5	48.0
Power Transformers	—	128.7	133.5	102.5	93.2	89.9
Transport Equipment						
Bicycles	—	97.1	96.5	82.9	81.4	89.4
Automobiles	4695	5233	4691	4374	3980	4179

† Average of available monthly figures.

Source: Central Statistical Organisation, Government of India, Calcutta.

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53 = 100)

WEEK ENDED	11.11.61			
	11.11.61	4.11.61	4.10.61	12.11.60
Food Articles	120.5	121.2	121.1	120.6
Cereals	102.9	102.9	103.0	103.6
Pulses	92.7	92.9	90.0	94.3
Fruits & Vegetables	150.0	146.3	143.1	109.4
Milk & Ghee	119.5	117.7	121.2	115.7
Edible Oils	150.1	150.5	146.0	152.2
Fish, Eggs & Meat	135.3	134.0	135.6	122.5
Sugar & Gur	118.6	126.1	115.9	139.1
Others	169.0	172.8	182.9	173.5
Liquor & Tobacco	99.2	99.2	99.5	117.8
Tobacco	95.7	95.7	96.0	116.8
Fuel, Power, Light & Lubricants	122.0	122.0	122.0	119.7
Industrial Raw Materials	136.3	136.6	136.3	148.3
Fibres	126.2	127.6	127.7	162.4
Oil seeds	152.0	151.2	150.9	147.9
Minerals	94.8	94.9	94.8	98.2
Others	128.7	128.9	127.7	127.4
Manufactures	126.2	126.9	126.4	126.0
Intermediate Products	140.3	140.0	140.3	131.4
Finished Products	123.9	124.8	124.2	125.1
Textiles	124.0	125.4	125.0	129.6
Cotton	128.2	128.5	128.2	129.0
Jute	115.5	120.3	120.1	144.9
Woollen	123.1	123.1	123.1	110.1
Silk & Rayon	120.4	120.4	118.6	102.0
Metal Products	147.1	147.1	147.1	146.8
Chemicals	111.3	111.6	111.5	104.2
Oil Cakes	147.0	146.9	144.0	141.5
Machinery & Transport Equipments	116.2	116.2	116.2	112.1
Others	123.3	123.3	121.3	116.6
All Commodities	124.2	124.8	124.6	126.4

FOREIGN TRADE

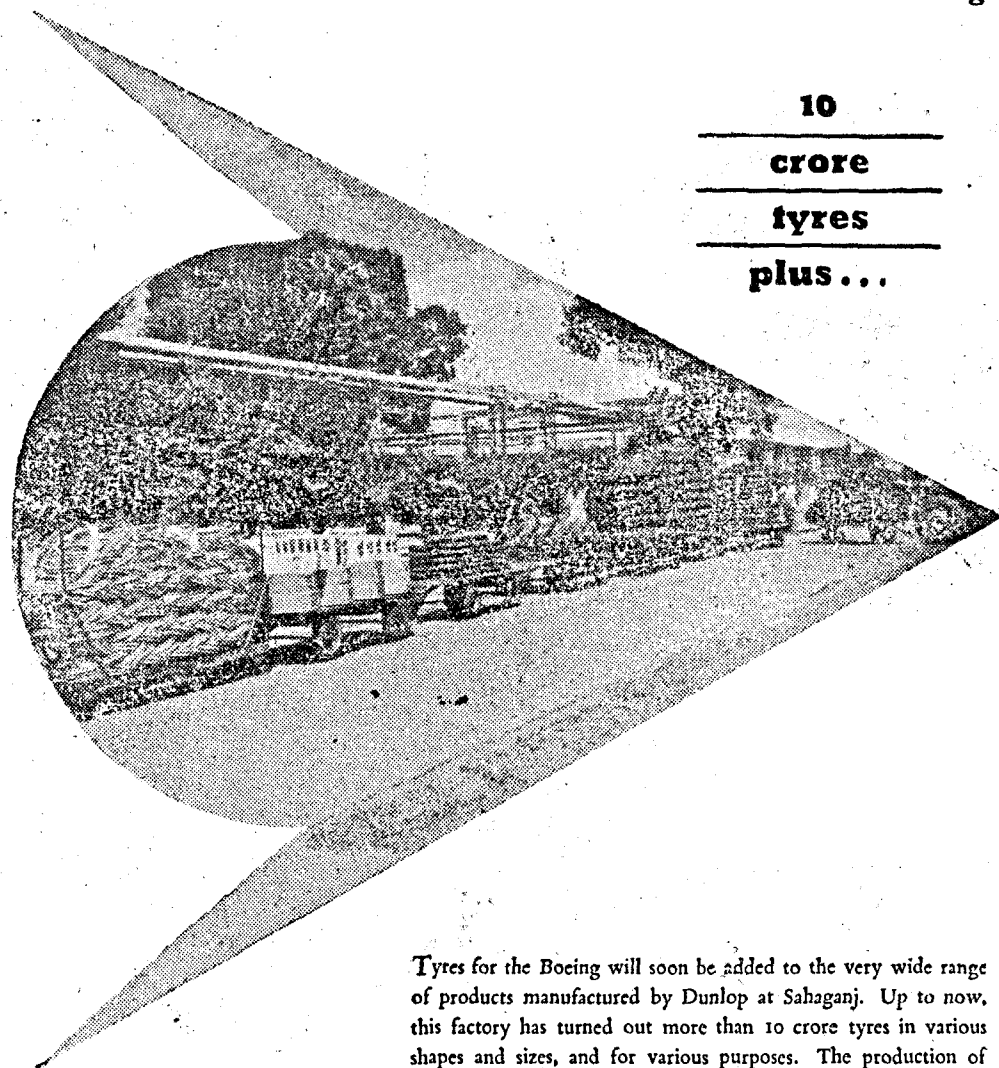
(Merchandise Value)

	(Rs crores)		
	Imports	Exports*	Balance of trade
1961: Aug-Sep	217.10	171.39	— 45.71
Apr-Jun	259.17	158.56	— 100.61
Jan-Mar	238.67	165.13	— 73.54
1960: Oct-Dec	216.56	187.44	— 29.12
Jul-Sep	231.43	158.12	— 73.31
Apr-Jun	281.83	145.39	— 136.44
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, Ministry of Commerce and Industry, Government of India.

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THIRTEENTH YEAR OF PUBLICATION

Volume XIII No 49

Price 50 Naye Paise



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Bombay.

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Tanker Policy: Volte Face

A FURORE was raised in Parliament about Kalinga Airways mainly because the moving spirit behind Kalinga was the Chief Minister of Orissa, who has found the glare of public life distinctly unpleasant. But what brought Kalinga Airways into public debate was a serious and inexplicable lapse of the Government from its declared policy on civil aviation, a policy which had been incorporated in an Act of Parliament.

That is not the only example of a 'volte face' from established Government policy. In fact, if Members of Parliament wish to accuse the Government of acting out of conformity to a stated policy, they do not have to look very far from the Communications Ministry. The Transport Ministry has permitted the Jayanti Shipping Co to purchase a tanker in spite of its policy to reserve the tanker trade in the public sector.

When the very first tanker in India was purchased by a shipping company in 1956, the Government advised the company that it was their intention to acquire all additional tankers in the public sector, and that any idea of purchasing a second tanker in the private sector should not be entertained by any of the shipping companies. The Great Eastern Shipping Co, Ltd, (which was the private company concerned) disagreed violently with the Government's policy and emphasised their disagreement in every annual speech; they considered the policy of reserving the tanker trade for public sector unfair and highly discriminatory.

Subsequently in 1959, the National Shipping Board which was appointed by the Government to advise them on matters concerning shipping recommended that the acquisition of further tankers upto the end of the Third Five-Year Plan should be in the public sector only. The Committee felt that the tanker trade was specialised and the Government would be in a better bargaining position with the oil companies to negotiate reasonable terms. The Government not only accepted this recommendation in principle, but also admonished the private sector to 'appreciate the position and leave the field completely to the public sector without demur' (quoted by Shri M A Master in his speech to the Transport Commission of the Congress Parliamentary Party).

Therefore the position in Indian tanker trade before August, 1961 was that India possessed three tankers, one in the private sector and two in the public sector. When the private sector company purchased the tanker, it was made amply clear to them that they would not be allowed to purchase any more tankers and this was subsequently endorsed by the highest advisory committee in the country.

In 1961, the Jayanti Shipping Co, a newly registered company with a paid up capital of Rs 200 only, was given permission to purchase the tanker "Adi Jayanti" of 30,000 tons deadweight. The official view is always a little difficult to understand, but it would be interesting to know what it was that prompted the Government to give a private sector shipping company permission to purchase a tanker. It certainly could not be the amount of foreign exchange earned by the company.

Shri Morarji Desai stated at a function held in Bombay under his chairmanship to mark the tanker's arrival in Bombay in August that the tanker would earn £18,000 a year which is negligible compared to the foreign exchange any other Indian company could earn from a tanker. It was also stated by Shri Morarji Desai that no foreign exchange outlay was involved. Does this mean that the Finance Minister is prepared to permit any one to acquire ships provided there is no outlay of foreign exchange? There have been many shipowners who have acquired vessels on self-finance basis, but it was not known that the Government was encouraging this method of purchase. It would be useful to know the Government's policy with regard to these points. Does it mean that the private sector will be permitted to enter the tanker trade?

An interesting sidelight to the purchase of the "Adi Jayanti" is the protest by the Seamen's Union against the use of non-Indian personnel to man the vessel. Is it not incongruous that Dr Subbarayan should be exhorting foreign shipowners to engage Indian crew while an Indian Flag vessel should be permitted to ply with foreign crew?

This is what Shri J D Randeri, General Secretary, Maritime Union of India, and Member, National Shipping Board, has to say about it in a letter to the press:

"The Transport Minister while inaugurating the Shipping and Shipbuilding Conference on Monday appealed to foreign shipowners to engage Indian seamen on their ships. His own Transport Ministry in reply to this appeal engages Norwegian crew on an Indian vessel. We wonder if Mr G L Mehta had this in mind when he reminded our one-time President of the Cricket Control Board to play cricket with our shipping problems."

In view of these protests, it may be reasonable to ask in what sense this vessel is Indian? It is owned by an Indian national, but manned, operated and traded by foreigners. Can it be that the owners are using the Indian flag only as a matter of convenience?

The Second Reformation

THE Third Meeting of the World Council of Churches in New Delhi which concluded its 18-day session this week was undoubtedly a historic one. The movement for bringing together the different Churches under one world body had been going on over a number of years, but it was not until after the Second War that the World Council could be formally constituted. This was done at its first meeting held in 1948 in Amsterdam. At that time, many of the Churches came in, but not the Roman Catholic and some of the Orthodox Churches led by the Russian Orthodox Church. Actually the Greek Orthodox Church was the only non-Reformation Church which came in at that time. The Delhi meeting has been hailed as the beginning of the second Reformation, because, at this session, the Russian Orthodox Church, along with the Eastern Churches, formally joined this world body and participated in its deliberations. The Vatican, however, only sent observers. The Church of Rome still maintains that she represents the inherent unity of the Church of Christ and, therefore, cannot associate herself with any movement which recognises diversity due to lost unity, that she can only strive to draw into herself all that which is true outside her boundaries. To send observers is as far as the Vatican will go.

The movement for the unification of the churches or oecumenical mobilisation has run along three different streams—"Life and Work" which is concerned with the social aspects of the churches, "Faith and Order" dealing with theology and liturgy, and missionary work, over which the International Missionary Council extended its sway. The first two streams had been joined at the time of the formation of the World Church Council. The third also formally merged at the present session and became the World Council's division of World Mission and Evangelism.

Since the role of missionaries and the influence of mission, in the colonial countries as also in others where there is a problem of colour and race, are vital political factors, it is this aspect of Christianity rather

than theological issues which divide the different churches which has been of the greatest interest to the people of these countries and has also been the most controversial. Missionaries have done wonderful humanitarian and educational work, but they have more often than not been allied with the colonial powers and their activities have been resented as anti-national and inimical to the progress of the people. Wherever possible, churches outside Europe have resented and struggled against domination exerted from a long distance. The control over the missions has also gradually passed on to the younger 'indigenous' churches. In fairness it must be added that the influence of church has not always been in favour of the established order. The Church in South Africa stands out for the opposition which it has consistently put up, at great personal risk of the churchmen concerned, against Apartheid and reactionary racial policies. One could not say the same about the Catholic Church.

The most important achievement of the Delhi session was the admission of the Orthodox Russian Church, which came in, along with 22 East European and Latin American Churches. The second was the integration with the World Council of the International Missionary Council, by which the latter with its 38 national Christian councils, becomes the World Council's division of World Mission of Evangelism.

The attendance at the Delhi session was the biggest ever for the World Council and the press coverage also one of the largest for any conference held in Delhi at any time. The choice of a country, of which 98 per cent of the population are non-Christian, as the venue of this historic meeting of the World Council, calls for an explanation. Perhaps, it is to be found in the speeches of the Church leaders, who thought that India represented in its policies and outlook the true Christian spirit to a greater degree than most Christian countries. When these eminent churchmen go back to their homes, will they go back with their faith in India unsullied and as deep as it was when they came?

China and Goa

THIS has been a difficult week.

There was a fresh, unexpected and open threat from China that if India did not desist from safeguarding her north-western border, the Chinese would encroach on the north-eastern sector where, unlike in Ladakh, the Government of India has all along administered the territory and actually exercised jurisdiction. This is a direct affront which no Government can take lying down. The Prime Minister was, therefore, constrained to say while replying to the debate on the subject in the Lok Sabha on Tuesday that the Government of India did not rule out the possibility of war in resolving the border dispute. The responsibility for pushing India to such a course would squarely rest with China. Far from under-estimating or playing down the Chinese threat, Pandit Nehru said that it was "far more important except one, and that is, the conflagration which will be an end of the world". "Short of that", he elaborated, "it is the most important thing we have to deal with, because it is so vitally important not only today but tomorrow and the day after. It is going to govern the future of India, Asia and the world—I do not know for how long; may be decades, may be generations; it depends on world developments".

As China threatened fresh aggression, the Goa situation worsened. That it had worsened, the public were sharply made aware of by the cancellation, without notice, of a large number of trains on the Western and Southern Railways. Something appeared to be in the air, as in a lull before the storm. For fourteen years India had exercised amazing self-restraint. After the recent incidents, it is becoming increasingly evident that India's patience has a limit. This is also what Pandit Nehru told Parliament: the situation in Goa had become "progressively intolerable even to submit to it" and the Government of India had decided to prevent further incidents and the denial of our seas to our vessels and fishermen. "We must clear the waters". Troops had been moved to the border and preparations were being made "for all eventualities".

China and Goa coming up simultaneously offered a wonderful opportunity to some people to air their respective views and make political capital of the situation. The Blimps, who occasionally burst into the press, played up the strategic danger of deploying forces on two fronts at the same time. Detractors of India's foreign policy of non-alignment saw in troop movements to the Goa border a feint action to divert attention from China. Even more ridiculous was the naive speculation that Goa was being played up as an election stunt!

India's intentions in regard to Goa, however, have begun to be appreciated abroad. While the Portuguese Foreign Minister referred hopefully to a clause in the NATO treaty which provides for consultations among the NATO powers, Britain offered to mediate between India and Portugal, provided both countries were willing to accept. Pandit Nehru, naturally, dismissed the offer with scorn. Goa is Indian territory and the NATO powers, if they want to, can persuade Portugal to see reason and accept the inevitable with what little grace she can. Britain does not have to wait for its good offices to be asked for.

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Weekly Notes

Annual Pilgrimage

IN New Delhi this is the season for official conferences. A little later the venue will perhaps shift to Calcutta, during Merry Christmas, when some of the Union Ministers and senior officers of New Delhi feel they must take a close look at what is happening in the industrial capital of the country. However, the drama is now at New Delhi, with the main scenes being enacted in the Planning Commission. Last year the representatives of all the State Governments and the Union Territories spent anxious days in the Capital discussing their Third Plan programmes and the annual plans for the year 1961-62. Now they are on the move to New Delhi again, for the annual plan discussions for 1962-63.

The spectacle evokes very mixed feelings. Even when a delegation from a State arrives, one can detect a measure of cynicism. The schemes that technical and non-technical officers at the State level prepare — with all the care, affection and foresight that they are capable of — are presented to the Planning Commission in their entirety to show their total financial implications. The first major shock treatment that any State receives is at the hands of the Planning Commission which prunes the total plan in accordance with its estimate of the resources that it is likely to release to the State in the coming year, having various considerations in mind many of which are not considered necessary to be disclosed to the jejune States. Then follow — in quick succession and with strict adherence to a time schedule — meetings with various Union Ministries which are responsible for the plans of the States, departmentally. After all these departmental meetings are over, the Working Groups submit their reports and, before the delegation departs from New Delhi, there is a final meeting where every one tries to pat himself and others on the back for having done his, or having got somebody else to willy nilly do his, job, and the curtain is drawn for one more year.

Can these annual Plan discussions be done away with or suitably modified so that the process of

planned development is made a little less jerky and the States feel more sure of their allocations? It is true that the annual plans are but segments of the Five-Year Plan and through these annual plans the Union Government can better control the pace at which the Plan as a whole is executed. Nevertheless, they impart a jerkiness which it is desirable to avoid. Further, the summary changes in these plans at New Delhi encourage preparation of half-baked schemes by the States.

Duplicity in Congo

THE courageous statement by Dr Conor Cruise O'Brien, till recently head of the U N operations in Katanga, has laid bare all the dirty intrigue and shameless double-dealing by outside powers which has been the curse of Congo. Though Dr O'Brien is the first to speak out, he is by no means the first to quit the whole business in disgust. The tactics which were used to get rid of Dr O'Brien were also used by the same powers against Shri Rajeshwar Dayal, who resigned earlier this year as head of U N operations in Congo. Dr O'Brien's charges have been confirmed by General Sean McKeown, Commander of U N forces in Congo, who has asked to be released from his post. According to General McKeown "what he (Dr O'Brien) said about Rhodesia, South Africa, Belgium, Britain and certain others is perfectly true".

It is a tribute to Dr O'Brien's integrity and sense of public duty that he has spoken up, even though he has had to resign from his country's Foreign Service to do so. According to Dr O'Brien, when he arrived in Congo in last June, there were about 500 foreign mercenaries, including a large number of Belgians, serving in Katanga. When he pressed for the expulsion of these mercenaries, he was confronted with "mounting criticism" both within the U N organisation and outside it. This criticism came "not from Belgium but from two permanent members of the Security Council, Britain and France".

This brings to mind the bitter criticism of Shri Rajeshwar Dayal in November last year after he had submitted a report on the situation

in Congo to the Secretary-General, in which he had drawn pointed attention to the return of Belgian nationals to the Congo and alleged that these elements were determined to obstruct U N operations. "Some Belgian nationals", Shri Dayal had said in his report, "have been actively arming separatist Congolese forces and, in some cases, Belgian officers had directed and led such forces which, in certain areas, have been responsible for brutal and oppressive acts of violence".

The United States disagreed with Shri Dayal's report and declared that it had "every confidence in the good faith of Belgium". The State Department made it clear to the Secretary-General that he could not hope to get U S support if he put too much pressure on Belgium on the basis of Shri Dayal's report. Britain also rejected Shri Dayal's report and, in a statement in the Commons, Mr Edward Heath, British Deputy Foreign Secretary, reaffirmed Britain's belief that Belgian citizens had "a role to play" in Congo. This was the beginning of the campaign which ultimately led to the exit of Shri Dayal.

To return to Dr O'Brien, the hate-campaign against him was progressively intensified and the pressure for his removal from Congo stepped up when, in accordance with the Security Council's resolution empowering the U N mission in the Congo to use force if necessary, U N forces made a decisive bid in September to reunite the Katanga province with the rest of the country and occupied certain key-points in Elisabethville, sending 'President' Tshombe fleeing into Rhodesia. Britain, it will be remembered, had supported the Security Council resolution. Even France had not opposed it. All this was, however, forgotten and Britain and France along with some other western countries began to question openly the right of the United Nations to act against a "constitutionally elected" head of State and assist in the "invasion" of his country. This was also the occasion when a malicious attack was launched to discredit Indian troops serving in Congo.

The intervention by Britain and

other western powers served its purpose. The late Mr Hammarskjöld was compelled under pressure to make the ridiculous attempt to reach a "cease-fire" agreement with Tshombe—an attempt, in the course of which he met with the plane-accident which killed him. The cease-fire was actually signed on September 20 and as a result the U N lost every advantage it had secured during the military action at the cost of much loss of life.

Indirect, but Effective

DR O'Brien's remarkable statement raises doubts, if such doubts did not exist already, whether the Security Council's latest resolution, adopted on November 24, empowering the U N authorities in Congo to use force to put down the secessionist activities of Katanga, will ever be implemented. Once again, both Britain and France have refrained from openly opposing the resolution. But after the inglorious end of the last U N military action in September and Dr O'Brien's revelations, no one will be taken in by this. India, particularly, should give serious thought to the question how long it should continue to permit its troops in the Congo to be made playthings of by the perfidy and double-dealings of the big powers.

The reason for Britain's duplicity in supporting the Security Council resolution and then opposing its implementation is not difficult to guess. Voting against a motion in the Security Council or the General Assembly might create adverse world opinion. Why run the risk when the purpose can be achieved equally well by sabotaging the implementation of the resolution? As a result, the U N becomes committed to tasks, "the fulfilment of which is obstructed by very powerful members of the organisation" and servants of the organisation trying to carry out these tasks on behalf of the Security Council "are squeezed out by members of the Council itself".

This raises a basic question about the functioning of the United Nations. The U N cannot function without the co-operation of the big powers. That is the rationale of the veto. Nothing will be gained by the abolition of the veto as long as

some members can obstruct the working of the organisation by less open, but not less effective, methods.

Argentine President

DR Arturo Frondizi, President of Argentina, is the first Head of State from Latin America to visit this country. An outstanding radical intellectual, Dr Frondizi attracted attention in and outside Argentina by his brilliant study *Petroleo y Politica* (Petroleum and Politics). In the general elections held in Argentina after the Peron dictatorship was ended, Frondizi was elected President with over 4 million votes out of a total of over 9 million.

The Argentinian presidency, however, is not a bed of roses. When Frondizi took over, the country was facing a grave economic crisis; the peso, already heavily depreciated, was going down fast, and Argentina was finding it difficult, if not impossible, to import raw materials, fuel and machinery needed to keep the wheels of industry running. Worse still, half the men in his Government do not belong to his party and those who do, constantly check-mate him in the legislature by combining with the opposition to deny him laws he wants and negative the policies he would like the Government to pursue.

That despite all these, Frondizi has managed to hold on, shows his political acumen and skill. His most outstanding achievement so far is claimed to be his success in the "battle of petroleum" for securing national self-sufficiency in oil. For this, he negotiated contracts with US and European oil companies, among the latter the E N I group, for oil exploration and oil production. As a result, Argentina is expected, to be self-sufficient in oil by this year.

Another achievement of his Government—a controversial one—has been to stop inflation and to reverse the flow of foreign capital which had been moving out fast when he took over. But President Frondizi is not merely a radical intellectual with deep learning in economics, history, law and sociology; he is also a highly skilled and adroit politician with considerable experience. The manner in which he maintains the balance between the pulls of the powerful army

groups, American pressures and the vocal demands of his own people for better living conditions (considerably intensified by the Cuban example), continues to amaze all those who watch his career from a distance. President Frondizi has been working actively in securing closer integration among the Latin American countries, he has maintained the Alliance for Progress with the United States of America and he is also the first Latin American President to turn his eyes to India and to Japan.

Major Gagarin

THE space era may be said to date from October 4, 1957, on which day, for the first time, a man-made vehicle escaped the gravitational pull of the earth to fly into cosmic space. Since then, some 68 artificial satellites have been launched, 13 by the Soviet Union and 55 by the United States. On April 12, 1961 the Soviet Union sent the first human being into space and brought him back, alive and unharmed.

Major Yuri Gagarin, the world's first cosmonaut, was in space for a total of 108 minutes, during which time his spaceship covered some 26,000 miles. But within months even this fabulous achievement was put in the shade when Gherman Titov orbited the earth not once but 17 times, travelling some 435,000 miles during the 25 hours or so that he was aloft. The United States, though yet to launch a cosmonaut, has also successfully sent up two astronauts in sub-orbital flights.

With one fantastic achievement following another so rapidly, it is not inconceivable that space travel may indeed become, in the foreseeable future, as easy as boarding a jet plane and travelling from one city to another, as Major Gagarin said in New Delhi the other day. But, for the time being, spacemen are still a rare species, rare enough to stir the interest and imagination of vast numbers of people wherever they go.

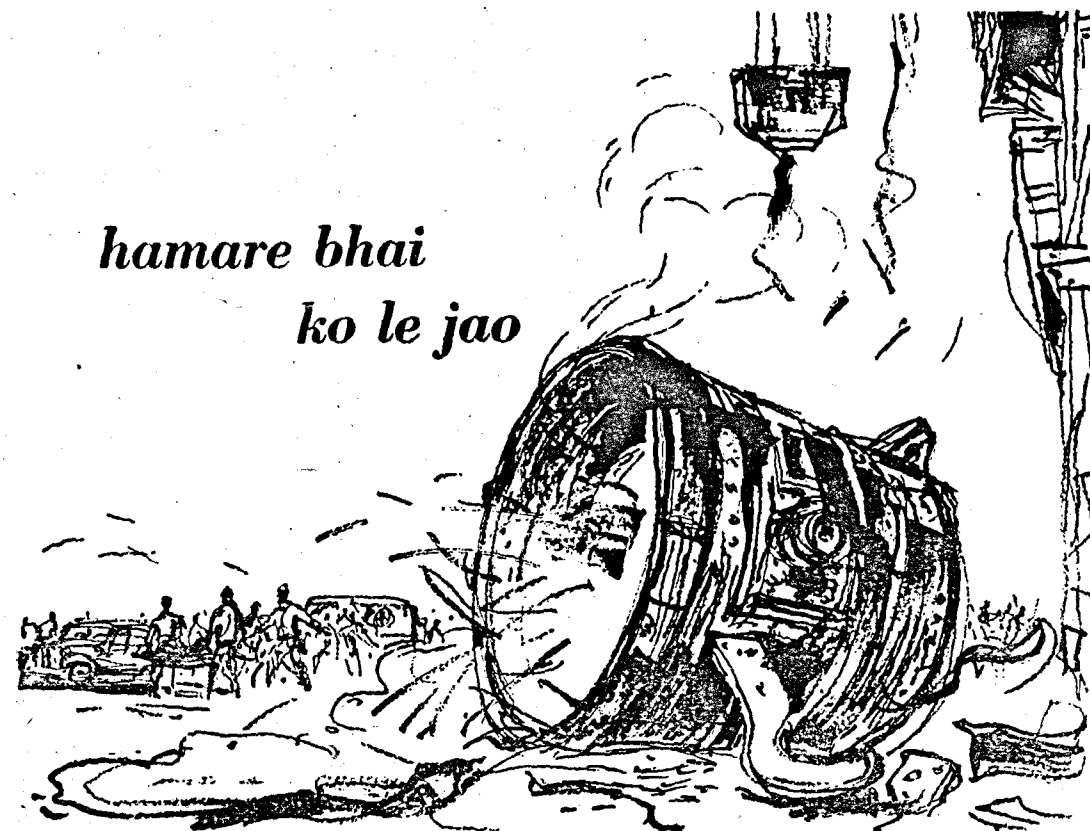
And Yuri has been going places. Before arriving in India last week on a nine-day visit at the invitation of Prime Minister Nehru, Major Gagarin had already donned with distinction the mantle of the Soviet Union's unofficial goodwill ambassador in Brazil, Britain, Bulgaria,

Canada, Czechoslovakia, Finland, Hungary, Iceland and Poland. Even so, those who met him, or even saw him at a distance, could not fail to be charmed. It was almost as if Soviet scientists, while selecting the world's first cosmonaut, had had an eye on his future ambassadorial role!

At the public functions and press

conferences arranged for him in India, Major Gagarin spoke with a disarming modesty and answered, or parried, questions, some cleverly loaded, with artless ease. To be sure, Major Gagarin had his work cut out for him. His Indian hosts and the Indian Fourth Estate, so intensely cold-war-conscious normally, appeared to have agreed,

though somewhat self-consciously, to treat Major Gagarin—the person, his achievement and his visit to this country—as transcending politics. As for the public, its reception to the cosmonaut was entirely spontaneous and was a heart-warming reminder that the quality of courage is still a valid passport to international renown.



*hamare bhai
ko le jao*

It happened some years ago in the steel melting shops at the Jamshedpur works. A large ladle, carrying 75 tons of molten iron, suddenly crashed to the ground with a deafening noise from an overhead crane. The spattering sparks and red-hot metal seriously injured a number of brick-layers working at what seemed to be a safe distance. The air was rent with the frenzied shouts of the men and the hissing of steam.

The first ambulance could remove only five of the injured to the hospital. General Manager Keenan could take only three more in his car. He chose the three who had a better chance of survival than the rest. One of these men, a Hindu worker, however, re-

fused to go. "Do not take me away", he said. Disregarding his own agony, he feebly nodded towards a half-burnt Muslim colleague, and said: "Hamare bhai ko le jao." As Keenan recalls, "The Hindu who was in pain and danger of death remembered, not that the Mohammedan was of a different faith, but that he was his brother."

This feeling of comradeship, born of the common bond of labour, is the spirit that characterises Jamshedpur, where industry is not merely a source of livelihood but a way of life.

JAMSHEDPUR
THE STEEL CITY

Afro-Asian Economic Conference

LEADERS of trade and industry from about 30 countries are meeting in New Delhi from December 10 at the Third Afro-Asian Economic Conference, which is being convened by the Afro-Asian Organisation for Economic Cooperation. The Conference has more than usual significance. Four working papers have been prepared for the Conference on 'Prospects for Development of Regional Trade in Specified Commodities and Products in Conjunction with World Trade', 'External Market Groupings and Their Impact on the Trade and Economic Development of Afro-Asian Countries', 'Economic Development of Afro-Asian Countries through Mutual Aid and Investment' and 'Schemes for Conciliation and Arbitration in Commercial Disputes within the Afro-Asian Region'. The Conference will mark another milestone on the road to closer Afro-Asian cooperation.

The Afro-Asian Organisation for Economic Cooperation is an offshoot of the Bandung Conference. National organisations of commerce and industry and of agriculture of all the countries which attended the Bandung Conference and of other countries of this region which attained independence afterwards are eligible for membership of the organisation. Thirty-eight countries are now members and quite a few African countries will join at the Delhi Conference. Among the participants in the Conference will be India, China, Japan, U A R, Indonesia, Algeria, both Viet Nams and Mongolia.

Though business talks, for which all afternoons have been left free, will form an essential part of the Conference, the most important subject for discussion will be economic co-operation among Afro-Asian countries leading ultimately to the formation of an Afro-Asian Common Market. All the working papers argue for making a beginning in that direction. The working paper on regional trade points out that even after political emancipation, the Afro-Asian countries continue to trade with the erstwhile metropoli-

tan countries and that trade within the region remains "at a low level". However, "following the examples of European nations and of the developing States of Latin America, the Afro-Asian countries are seeking formulae for economic integration, showing at least a defensive front to these large economic groupings involving considerable potential of discrimination and exclusion". It is in the context of this effort for economic regrouping that the development of trade among the Afro-Asian countries assumes importance.

Exchange Stability

For the development of trade, stability of exchange rates and prices is a pre-requisite. In order to stabilise exchange rates, the working paper suggests the "creation of an international institution for transfer and credit which will function on behalf of a sufficiently large number of adhering countries and, if possible, for all the Afro-Asian countries. It would be modelled on the lines of the European Payments Union and suitably modified to serve the Afro-Asian region". The creation of this institution and adherence to it will be nothing more than the formalisation, legally and in practice, of a whole series of mutual credit agreements. This institution will also help the Afro-Asian countries to remedy the insufficiency of liquidity through credits. Shortage of reserves is one of the most serious obstacles to the expansion of international trade for the countries of the region.

Among other specific measures for the development of intra-regional trade are gradual customs disarmament, abolition of such obstacles to trade as multiple exchange rates and exclusive bilateral agreements. The first set of measures will obviously lead to the creation of a common market or free-trade zone. Abolition of customs is to be achieved progressively and introduced according to the various categories of products.

The paper examines the present inter-continental and intra-continental trade and on the basis

of the data, makes some tentative suggestions regarding future possibilities. Most of the African countries import five per cent or less of their total imports from other African countries and export between six to ten per cent of their total exports to African countries. African exports, particularly from the tropical region, are limited to certain categories of foodstuffs, raw materials, natural fibres and mineral products. These products are almost entirely exported outside the African continent either because their production far exceeds the needs of local markets or because these products are used in industries yet undeveloped or underdeveloped in the majority of African countries. The expansion of inter-African trade is, therefore, dependent upon the level of economic development which could bring about expansion of consumption of locally produced goods. However, even at present intra-African trade can be increased, particularly in items like wheat, wines, edible oils, coffee, sugar, certain mineral ores, cement, etc.

Asian Intra-Regional Trade

In Asia, intra-regional trade is higher than in Africa. Most of the countries like India, Iran, Japan, Philippines and Syria import 11 to 30 per cent of their total imports from the region. For some countries like Burma, Cambodia and Indonesia the figure is as high as 31 to 50 per cent. Examination of export figures would indicate that the level of intra-Asian imports is higher (in terms of value) than in the case of exports. "Thus, in terms of total value, the exports of Asia are more orientated towards outside regions and in this, we might see the prospects for a greater development of trade between Asia and Africa". The paper further observes that "trade within Asia can be considerably expanded for petroleum and petroleum products and selected items of manufactured goods as well as machinery and transport equipment".

Trade exchange between Africa and Asia is at present small and

From the London End

Trade Prospects

THE optimistic forecast of world economic expansion on which the Chancellor of the Exchequer has been expanding gets a knock on the head from the latest issue of the *Economic Review* published by the National Institute of Economic and Social Research. Far from agreeing with the Chancellor that economic conditions in the world will show an upward trend early next year and, consequently, enhance Britain's chances of increasing exports, the review finds that the general world economic environment seems less encouraging for an expansion of British exports than had been anticipated in September. The main reason for the change of mood is that the West European boom has temporarily levelled out. It is true that British production continues to rise, though at a slightly lower rate than the Institute had originally anticipated. But European production, as a whole, has hardly risen at all since the early months of 1961. Production has fallen sharply from its peak in Germany and Holland and is rising much more slowly in France and Italy.

Another factor that will affect Britain's overseas earning capacity is commodity prices which have begun to fall again. Raw material prices have fallen as a direct result of overstocking in Europe, and food prices have been falling as part of a continuing trend. These declining commodity prices will reduce the incomes of the primary producing countries and consequently their ability to pay for imports. In view of all these, it appears most unlikely that Britain's exports to the Sterling Area will show any striking rise. Indeed, it is hard to understand the basis of the official optimism about the brighter outlook for Sterling Area exports, as there is little likelihood of a substantial rise in commodity prices in the near future. Another unfavourable factor is the rise in the US deficit during the third quarter which may, via US balance of payments, check the pace of US recovery.

The National Institute is certainly not as optimistic about exports as it was before. Although UK

prices are now perhaps a little more competitive than they were, and exports to the US and Europe continue to do fairly well, exports, as a whole, have been almost flat since the beginning of 1961. In the third quarter of this year, Britain's share in world trade in manufactures, "was probably considerably lower than ever before", and Britain's share of world trade fell sharply in the third quarter. The Institute is also less optimistic about imports which have been temporarily lower because of drawings upon stocks of imported raw materials. If stockbuilding is resumed in the New Year, it is more than likely that the tendency will be for imports to rise—the Institute estimates this rise in the neighbourhood of about 3 to 5 per cent. The general conclusion is, "It now seems less likely that exports will rise much faster than imports between now and 1962".

As far as production is concerned, the Institute believes that output is likely to rise by only a small percentage—by only 1-1½ per cent by the middle of next year.

Labour to Stay Out?

The prospects of labour participation in Selwyn Lloyd's Planning Commission, grow less and less rosy. In the latest talks that the Chancellor has had with TUC leaders, he has made it clear that he will continue to insist on the most rigid application of his belief that no one whose wages the Government can influence may have an extra penny in cash or kind. While a number of Union leaders are anxious that the TUC should join the Planning Board, even they are most disappointed that the Chancellor was unable to make any concessions

which would help them to influence their colleagues into taking a more sympathetic view of the Planning Board.

A complete impasse has now been reached, because while his attitude to the Unions remains tough, Mr Lloyd continues to confine his policy for dividend restraint to mere appeals.

The latest *Economic Bulletin* issued by the Treasury draws attention to the fact that the growth of UK exports has been hindered by dependence on Sterling Area markets. "One reason for the relatively slow growth of exports is that a large proportion of UK's trade is confined to an area where import demand has been increasing less rapidly than anywhere else, except Latin America."

UK exports to Sterling Area countries increased by only 12 per cent between 1954 and 1960 and the British share of the market fell from 58 per cent to 44 per cent. In every year since 1954—with the exception of 1958—the British experience has been less favourable than of all the manufacturing countries taken together. The removal of discrimination against dollar imports by Australia and South Africa has helped the US exports to the area, while India has bought large quantities of industrial plant from Western Germany. Most of the West German increase occurred up to 1957, whereas half the US rise came in 1960 when there was a sharp expansion in total exports to the area from the relatively depressed levels of 1958 and 1959.

As far as individual items of exports were concerned, the British performance compared best in non-electrical machinery and chemicals,

Exports of Manufactures

To Non-CEE C Sterling

Area Countries

To Canada

	1960 (\$m)	% change 1960 on 1954	1960 (\$m)	% change 1960 on 1954
United States	1,206	+ 95	2,621	+ 35
EEC countries	1,599	+ 88	243	+159
UK	3,295	+ 12	529	+ 71
Others	1,428	+116	163	+262
World	7,528	+ 48	3,556	+ 49

sporadic. Trade with Asia constitutes five per cent or even less of the total trade of most African countries. In terms of value, the trade of Asian countries with countries in Africa is still lower both with regard to imports and exports. "However", the paper notes, "in light of the diversification of production which has been achieved in the two continents during the past decade and the economic plans for further development there are distinct prospects for the progressive increase in mutual trade." The paper draws a list of about 70 items varying from onions to steam engines "which seem to show greatest promise of increasing exchange".

In the paper on the impact of trade groupings on Afro-Asian countries, the evolution of economic groups in Europe and Central and Latin America and in Africa are surveyed. Britain's decision to join the E C M, the paper says: "may prove a decisive turning point in contemporary European history". Regarding its effect on the Commonwealth, the paper observes: "Is not the stability of sterling a better cement than the maintenance of 'preferences'? The fate of sterling would be better assured if Great Britain adhered to the Common Market than if she remained outside".

The paper continues: "It was natural to expect that the initiative of the Six would encourage other countries to group themselves into zones involving mutual preferences. Indeed, the EFTA was not long coming; Latin America followed; and Arab States have under serious consideration the creation of a Common Market. In other words, the establishment of the Common Market had sparked world-wide movement for economic groupings".

"Nonetheless active opposition to the European Common Market has never been lacking. It is deplored on the ground that it constitutes a check to world freedom of trade. The Treaty of Rome favours regionalism and reverses any conscious tendency towards a system of multi-lateral exchanges".

The policy of the E C M is prejudicial to the Afro-Asian countries, except the 'overseas territories' of the 'Six', in two ways. First, the majority of the African 'overseas

territories' produce and export identical raw materials and basic foodstuffs, or substitutes for them, as the rest of the Afro-Asian countries. Second, the original preferential treatment accorded by the metropolitan country to products from its overseas territories has been extended to products of other associated countries. "In consequence, the Afro-Asian countries may be forced to lower the prices of their products to a level competitive with the products of the ECM". The paper also considers whether the modification of the Treaty of Rome, consequential upon the accession of Great Britain, will be sufficiently comprehensive to produce a substantial change in its discriminatory character and concludes: "It seems certain that the answer will be in the negative".

Limited Scope for Aid

The paper on mutual aid makes a modest claim about the prospect of such aid. "There should be no exaggerated ideas about their (Afro-Asian countries) ability to help each other since all are obviously in need of external help. In the field of technical assistance, however, there are increasing opportunities for exchange of skilled workers and experts in different fields of employment. In investment and trade, the Afro-Asian region also offers good opportunities for each and all members. In an era of market grouping and economic integration the promotion of collective efforts is not only beneficial but also imperative".

The paper also suggests "promotion of agreements aiming at protecting, within the countries of the community, the prices of raw materials such as cocoa, coffee, cotton, tea, rubber, jute, etc, and preventing uneconomic competition leading to substantial reduction of foreign exchange" and "co-operation in transport to give preference to ships of Afro-Asian countries". Ultimate objective of mutual aid is, again, to create a favourable atmosphere for the formation of an Afro-Asian Common Market.

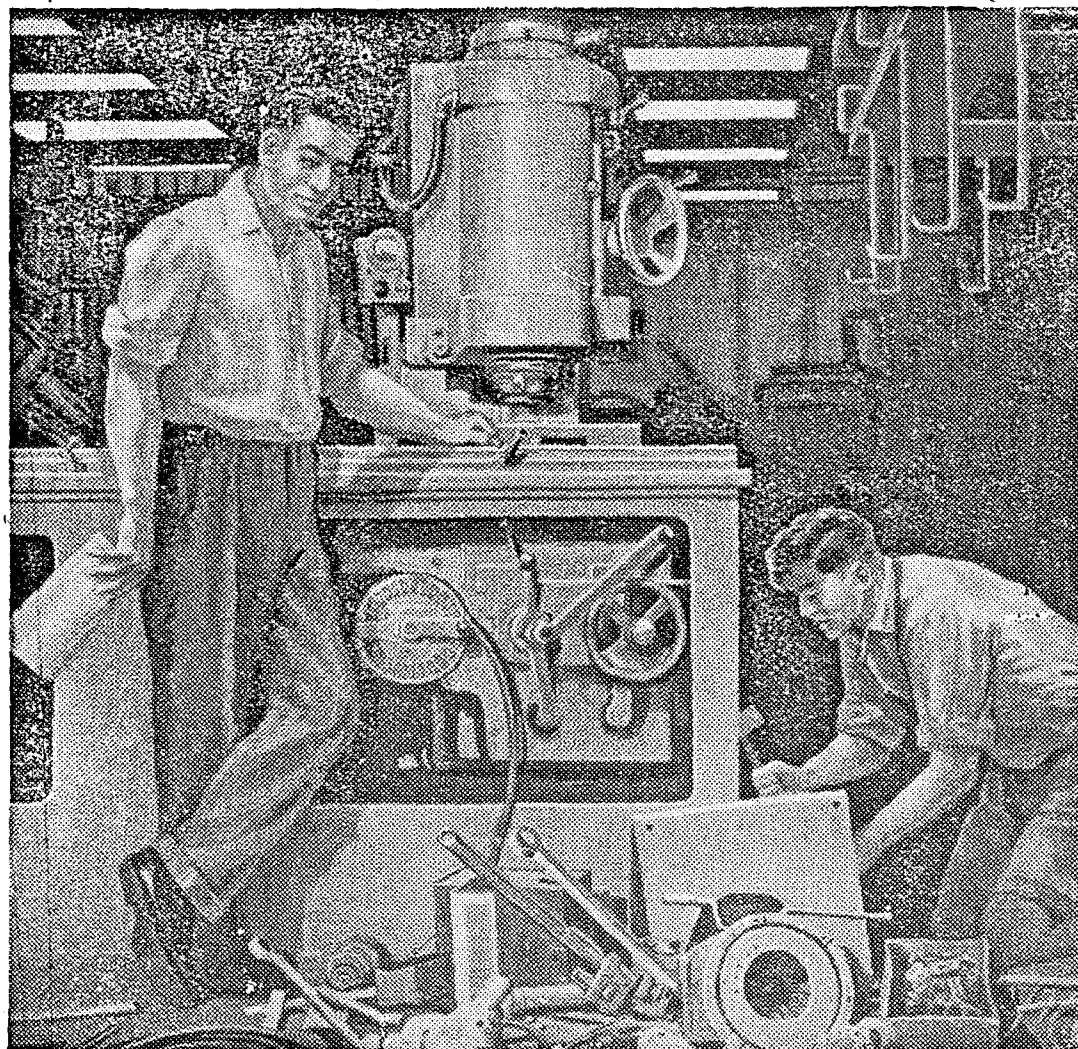
The arguments advanced in the working papers in favour of an Afro-Asian Common Market are partly emotional and partly negative. True, Afro-Asian solidarity has

great appeal. But is it sufficiently strong to sustain the pulls of a common market? True, the desire of the Afro-Asian world for self-defence against the discriminatory practices of the E C M cannot be denied. But can these reflexes be given the form of a common market? These are big questions. There are a number of other issues like the degree of complementarity, the unevenness in development and the diametrically opposed political philosophies of the countries of the area, which have not been raised by the papers. Most of the Afro-Asian countries are developing on parallel lines. How far will they agree to merge their plans?

This does not mean that the prospects for an Afro-Asian Common Market should not be explored. There are many factors which favour the creation of such a market. Emotions play an important part in political-economic life. The common experience of colonialism and the community of interests and aspirations are strong forces to sustain Afro-Asian solidarity. Scepticism is slowly giving way to serious thought in this country. The question needs to be examined from various angles and by various bodies, especially by non-Governmental agencies. As is clear from the history of the E C M, much effort will be needed if a common market is to be formed. Leaving aside academic exercises, businessmen who are known for their practical sense will, it is hoped study practical steps for achieving greater economic cooperation among Afro-Asian countries at the Delhi conference.

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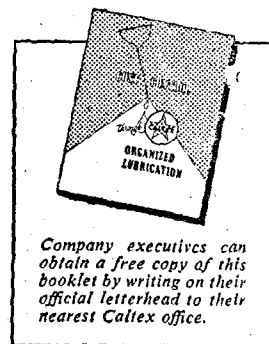


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THE ECONOMIC WEEKLY

where rises in UK exports were about three-quarters as much as those of the rest of the world. British exports of metals and miscellaneous metal manufactures, and transport equipment increased only by about two-fifths as much as exports by her competitors. On the other hand, the performance of British textile exports was particularly disappointing; they fell by 20 per cent compared with exports from the rest of the world which rose by 41 per cent.

EEC Market Grows

In Western Europe, the E E C market has grown more than the Continental E F T A market. Sales by the U K increased by less than half as much as the total import market in E E C countries and less than one-third as much in Continental E F T A countries. Exports to Western Europe, as a whole increased by 10 per cent in 1959 and 11 per cent in 1960—considerably faster than the U K's total export of manufactures. A similar trend has been evident in 1961.

One of the more fundamental reasons behind the Conservative Government's desire to join the Common Market, lies in the belief that the Commonwealth really offers little scope for British exports—the growth of which is the key to British economic recovery—and that Western Europe provides a much more profitable outlet. This point is also brought out in the Treasury Bulletin which says: "Between 1954 and 1960 the world's fastest growing markets were—by far—Western Europe and the U S. Both more than doubled. In 1960, 8 per cent of U K exports of manufactures went to the U S and 28 per cent to Western Europe. In the same year half of the combined exports of Continental European countries were to each other." Whereas British exports to Continental Western Europe increased by only 39 per cent, those of the rest of the world to this area were up by 121 per cent. In the Sterling Area and Canada, British exports were up by 17 per cent compared with a 72 per cent rise for exports from the rest of the world. "So in markets which take nearly three-quarters of our exports, we lost ground to our competitors."

Currencies in Trouble

Last week saw a number of interesting moves in the field of international finance—U S suspension of its sales of silver, no large gold transactions between the U K and the U S A and the repayment by the U K of a further £50 million to the International Monetary Fund. All these have a certain connection. They have been occasioned by the economic difficulties that are at present besetting the two major currencies of the world—the dollar and the sterling. The dollar is the main reserve currency while the sterling is the main trading currency.

At present it is the dollar that is more under pressure than sterling. In March, traders and speculators rushed out of sterling and into Swiss francs and German marks, and although the pound has now recovered, it is still showing slight signs of strain. Because of this the British Treasury which has been acquiring a large amount of surplus dollars, decided to switch them to gold and keep the bulk of its reserves in gold. This led to an outflow of gold from the U S to something like \$300 million in a single week. This move at a time when the dollar is going through a bad patch is regarded in some quarters as unfortunate. In the third quarter of this year, the American balance of payments deteriorated further and the gold stocks have now dropped to their lowest level since 1939. The continuing difficulties into which the world's two major currencies seem to be running, is causing a certain amount of concern. A collapse of either of these two currencies would put the whole Western payments system in jeopardy. It was because of this recognition that the Basle arrangements were undertaken to give support to sterling, and the next routine meeting of Basle is to take place very shortly.

Underlying all these ups and downs is the obvious need for a

thorough overhaul of the monetary system. This was the subject of the meeting of the International Monetary Fund in Vienna in September, but sharp differences of opinion at that time made any agreement difficult. It is not yet known whether countries like France and Holland are prepared to revise their opinions about the role of the I M F but some fundamental steps will have to be taken very shortly to bolster up both the pound and the dollar.

Political Europe : Primary Aim

In the midst of all the excitement about the Heath 'leak' and the bargaining on imperial preference and the status of associated overseas territories, it is so easy to overlook the fact that the basic aim behind the European Common Market, at least the one which was upper most in the minds of the original signatories of the Rome Treaty, is a political one.

In these circumstances, it is salutary to be reminded of this fundamental issue which is exactly what Mr Maurice Faure, President of the European Movement said while addressing a meeting of the U K Council of the European Movement at the House of Commons at the end of November. "The building of Europe cannot be pursued except by progressively accentuating its political integration." In his opinion, the Common Market was only one means of achieving the prime aim of a political Europe. Although Mr Faure spoke of special problems of the Commonwealth and Britain's agriculture, it was perfectly clear that to his way of thinking, the position of the Commonwealth could be reconciled with an enlarged Common Market only by reducing Commonwealth economic links to a minimum. He welcomed the fact that Britain had agreed to give up the imperial preference it enjoyed in Commonwealth countries—a

Exports of Manufactures

	To EEC		To EFTA (excl UK)	
	1960 (\$m)	% change 1960 on 1954	1960 (\$m)	% change 1960 on 1954
United States	1,846	+168	529	+114
EEC countries	7,059	+148	3,804	+105
UK	1,161	+58	796	+27
Others	1,315	+100	710	+95
World	11,381	+131	5,839	+88

1821

December 9, 1961

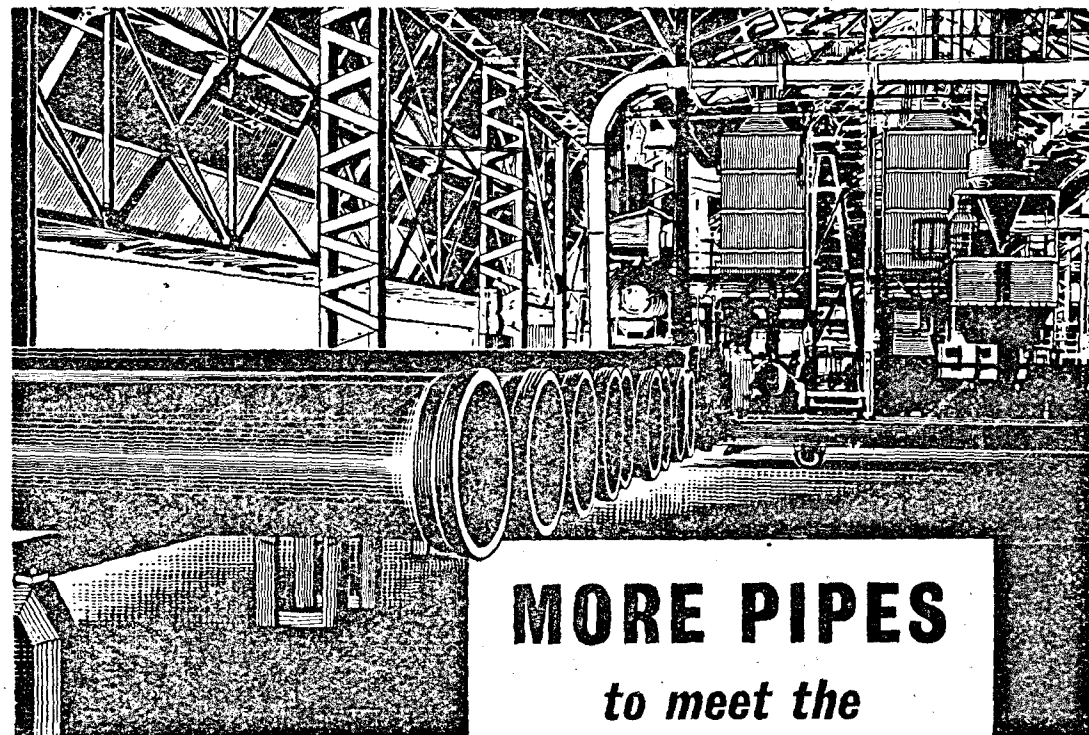
THE ECONOMIC WEEKLY

position which, he pointed out, would have been unthinkable a few years ago.

That the Conservative Government itself is well aware of the political implications of membership

goes without saying, and the Party as a whole appears to be in favour of membership. "It is much more important," said Mr Faure, "to retain the state of mind which imbues the Commonwealth than to retain

any reciprocal economic advantages which are continually being called into question by the Continental re-grouping now going on, by changes in structure, by changes in method."



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The Joint Family: A Case Study

Savitri Shahani

There has been no systematic research into the structure of the family in the field whether in rural or urban areas, and the most serious writers on the subject have relied on general observations.

The present study is an attempt at a depth analysis of the family although the data on which it is based is not entirely adequate for the purpose, representing as it does a very small part of an urban community, and being based entirely on the results of a questionnaire survey.

However, by using some of the concepts and methods of social anthropology, this data can be interpreted to give an indication of the dynamics of the joint family.

MUCH has been said and written about the Hindu joint family. Sociologists, social philosophers, and social reformers have been greatly exercised over the break-up of the joint family and even political parties have taken it up as a slogan. The general feeling is that modern life with its increasing urbanisation and the recent legal reforms make the disintegration of the joint family inevitable. Occasionally statistics are shown to prove the point, for, almost invariably both joint and nuclear types are found in any factual study of the family. And the incidence of nuclear families is taken as proof that the joint family is breaking up. The traditional assumption behind such a deduction is that every Hindu family is normally a joint family. Such an assumption has been encouraged by the study of Hindu law and scriptures where the normative Hindu family is always joint. But they deal only with a norm and not the reality. Both the Dayabhaga and the Mitakshara with its several regional forms provide in detail for the rights and duties of the various members of the joint family. The nuclear units that constitute the joint family are recognised in the rules laid down for the partitioning of property, but this unit must again grow to the normative type of the joint family.

In an article on the joint family in *The Economic Weekly* of February 20, 1960 F G Bailey says that the family can be studied at three levels. First, a static analysis of the structural form can be made. Each family goes through a cycle of development, providing a repetitive equilibrium for the institution. This is the family in its dynamic aspect. A third level of study is

possible where such conditions arise that the dynamic process does not repeat itself but shows definite changes which will lead to changes in the very structure of the family. This kind of analysis introduces the time factor into the study of structure. Another writer on the family, Raymond Smith, (*"Negro Family in British Guiana,"* London 1956) applied the concept of a developmental cycle to his data and found that the two types of families which appeared in his figures were actually stages in the normal family cycle. As his study was limited to a period of some months and he could not rely on the memories of illiterate villagers to tell him exactly who had been the members of the family at various times in the past, he resorted to the ingenious method of arranging the families according to the age of the head of the household. This method will be applied to the present data.

The Data

The figures on which the present discussion is based were collected as part of a questionnaire survey covering the two final year classes in the high schools of Baroda. Students were asked how many of the following kin lived in their household—father's father, father's mother, father, mother, father's brothers, their wives, their children, brothers, brothers' wives, brothers' children, sisters, sisters' children, any others. From their answers, two main types of families could be discerned, the joint family and the nuclear family. If there were any kin, whether by blood or by marriage, other than the student's parents and siblings, so long as these were not the mother's relatives or a widowed sister with her children, the family was regarded as joint.

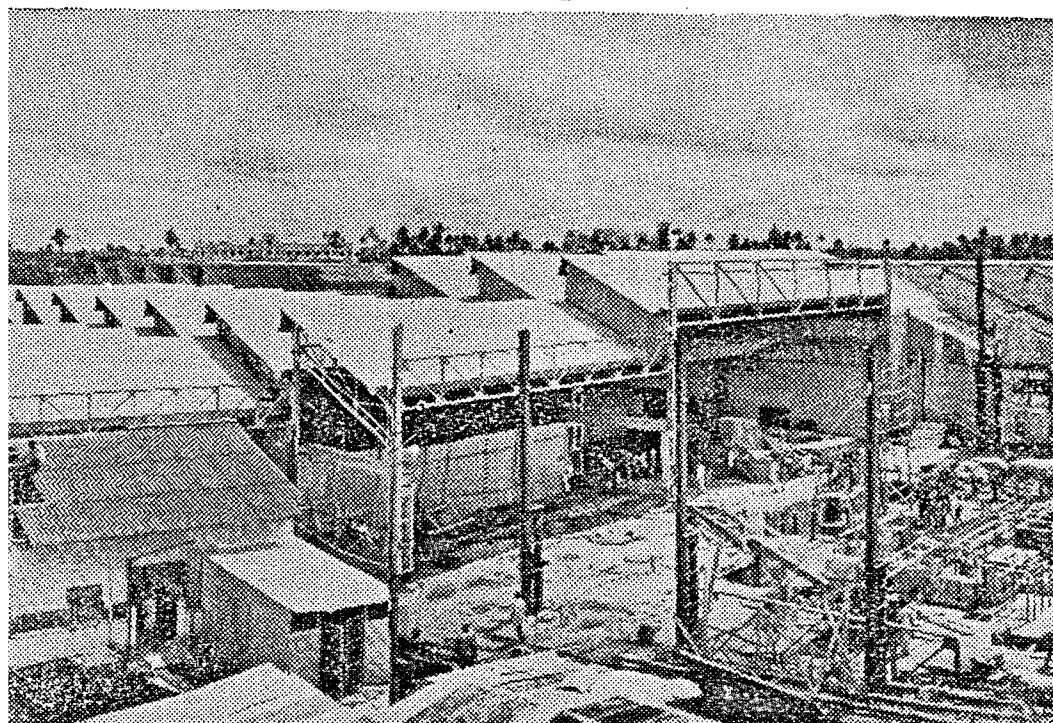
The joint family took many forms. Taking the student as our perspective, there were two types of joint families. One was joint in the father's generation, that is, the additional members were the father's parents, his brothers, and their wives and children, or any one of these. The other type was joint in the student's own generation and consisted invariably of his married brothers one of whom may even be the head of the family if the father is dead. The first type of joint family shows a much greater variety of forms, as we shall see later, because it has a greater tendency to split and is very often an incomplete joint family. Sometimes, such a family continues to share in the common property of the original joint family. Sometimes, the property has been divided but some members of the joint family continue to live together. The classic type of joint family is also to be found with all the father's brothers, married and unmarried, living together, with the grandparents if they are alive, and the property undivided. The joint family consisting of the student's married brothers is almost always self-contained in the matter of property, having no share in some other property nor dividing its own.

Limited Sample

The sample is admittedly a limited one. It is not claimed here that the following analysis applies to the general population of Baroda. It does not even properly apply to the three major castes that make up about three-fourths of the high school student population of Baroda, as the sample excludes the possibly considerable number of less educated families in these castes. As these castes are, however, known to be the most advanced education-

1823

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ally, the present sample may be taken as indicative if not typical of the entire caste community. The several minor castes which make up the remainder of the student population are here excluded from the analysis because they are obviously not typical and even unusual for their respective communities.

A caution may here be sounded that in looking at the family as a dynamic institution, it must be remembered that the cycle may not be repetitive, and that some at least of the families may be undergoing structural and not cyclical changes. Correlations with other social concomitants, such as occupational changes, education and so on would make possible an assessment of how much of the cyclical process is actually social change, but this lies beyond the scope of a brief paper and the data will be regarded as giving a simple cycle of development.

Heads of Families

In the following figures, fathers include also father's brothers where these are mentioned as guardians of the student. Mothers, and other relatives, if they are the guardians, are excluded. Table 1 combines data for the three castes in the sample, the Brahmins, the Banias and the Patidars.

Most of the heads of households of 35 years and less are brothers of the students. These brothers are most of them married, heading a household consisting of all the brothers. In some cases, the brothers are living with some other relatives in a joint family arrangement, while some are not married and head a nuclear family. It may be assumed that a brother is regarded as head of the household only when the father is dead. Of the fathers who belong to this age group very few head a nuclear family, more of them residing with their relatives.

In the next age group of 36 to 40 years, there is an almost total absence of brothers as heads. As nuclear families predominate in this group, it may be concluded that at this age a man is most likely to head his own nuclear family, though a fair number of these fathers live with their parents or brothers or both. Only two of these relatively young fathers have married sons and these

are staying with them. Nuclear families also predominate in the 41 to 45 age group and in the 46 to 50 age group. They diminish appreciably in the 51 to 55 age group, and in the oldest category of 56 years and above, are replaced in importance by families where the father is living with his married sons.

The Picture That Emerges

Families joint in the father's generation are most common in the 41 to 45 age group and secondarily in the 36 to 40 age group. In the older groups they show a steady decrease in numbers as the age of the head increases. At the same time, the number of heads of families who live with their married sons shows a slight increase with the age of the head. From this we may deduce that a man with young sons of his own is quite likely to be living with his own parents and brothers. But where the sons are grown-up and married he is less likely to be living with any of his kin. The separation from his own family is finally made when his own sons marry and a new joint family comes into being. There are very few instances in the present material of a family where the married brothers of the head as well as his married sons live together, and most of these are to be found among the agricultural Patidars.

The picture of the family that emerges from Table 1 is that of a young man, married and caring for his younger brothers if the father is dead, and occasionally living with his father's relatives. As

he grows older, he separates to form a new family with his wife and children. These children grow up and marry and the sons go on living with him, constituting a joint family. Sometimes these sons separate after a few years, and sometimes they continue to live with the parents until their own children get married when they again separate. The likelihood is that they separate before the children are actually married.

The number of nuclear families is large: over one half of the total number. It is possible that some of these are not merely a stage in the development of the joint family but are self-perpetuating. They never develop into a joint family. On the other hand, as the number of joint families is not inconsiderable, it is likely that most families pass through a stage of jointness though this may be only atrophied and never developing to the full form of the joint family.

Incidence of the Two Types

Simple statistics show a variation in the incidence of the two types of families in the different castes. Thus Patidars have the most joint families and Banias the least. The cycle of development is also likely to vary. We first consider the Brahmins (Table 2).

Well over a half of the Brahmin families are nuclear. Some of these may be perpetual nuclear families. The developmental pattern, as shown in the figures for joint families, is similar to the general pattern. The tendency to

Age of Head	Nuclear		Joint (i)*		Joint (ii)*		Total
	Father	Brother	Father	Brother	Father	Brother	
35 and less	3	5	7	4	—	17	36
36 to 40	33	—	10	—	2	1	46
41 to 45	34	—	19	—	13	—	66
46 to 50	28	—	6	—	13	—	47
51 to 55	17	—	4	—	12	—	33
56 and above	12	—	2	—	16	—	30
Total	127	5	48	4	56	18	258

* Joint.

(i) is the family joint in the father's generation;

(ii) is joint in the student's generation.

Age of Head	Nuclear		Joint (i)		Joint (ii)		Total
	Father	Brother	Father	Brother	Father	Brother	
35 and less	—	2	2	1	—	1	6
36 to 40	6	—	1	—	1	—	8
41 to 45	9	—	6	—	3	—	18
46 to 50	12	—	1	—	1	—	14
51 to 55	5	—	—	—	6	—	11
56 and above	5	—	1	—	6	—	12
Total	37	2	11	1	17	1	69



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live with his relatives diminishes after the father reaches the age of 45. Even before his children are old enough to marry, he separates to form a nuclear family, and in the 46 to 50 age group, there are hardly any joint families at all, while the incidence of nuclear families is quite high. After the age of 50 again, the head is living with his married sons, although some of these older families are nuclear, which would mean that married sons have separated.

The pattern for the Baniyas is rather different. There are more nuclear families than in the case of the Brahmins. The percentage of nuclear families among the Brahmins is 56.5 whereas for the Baniyas it is 62.7. (Table 3)

Not only are there more nuclear families among the Baniyas but also they definitely occur more often among the younger age groups. Very few of the younger fathers are living with their relatives. In accordance with the general pattern the number living with relatives further diminishes as the age of the head increases. Also, relatively fewer of the older families develop into a joint family where the grown sons are now married and still living with the family. In no age group does the number of joint families exceed the number of nuclear families. This would point to a situation of social change, for the Baniyas are a high Hindu caste and their extensive trading activities in the past have been conducive to the maintaining of a joint family. In the same survey, it was found that the Bania students in the sample came from a rapidly changing sector of the caste and that they were giving up trade in favour of jobs — a process that required education of some sort or other. In the case of the Bania caste we seem to have a rather special situation and the above findings may apply only to a section of the Baniyas and not to all. But the change is a clear one.

The Patidars, traditionally a rural and an agricultural caste unlike the others, and the students of which caste are derived from rural agricultural families to a considerable extent, have a large number of joint families. Only 34.7 of Patidar families are nuclear. We may

expect to find the joint family in a more crystallised form in this caste because of its continued agricultural moorings. (Table 4.)

There is little variation by age in the Patidar nuclear families, unlike in the Bania ones. The variations in the joint families follow the pattern of the total sample. The younger the guardian the more likely it is that he is head of a household consisting of his brothers. After the age of 36, upto 45, he is found living with his relatives, and from 41 onwards, he may be living with married sons. As the age of the head increases, he lives less and less with his relatives and more and more his family expands to include married sons except for an inexplicable drop in the age group of 51 to 55 years.

Among the Banias and the Patidars, there is a fair number of families where the brother is head unlike the Brahmins where this type of family is relatively absent.

The Individual Forms

We will now go on to consider the individual forms of the joint family. The family that is joint in the student's generation has a consistent structure of the father and his married sons living together. The only variant of this arises when the father is dead and one of the brothers becomes the head. - Families joint in the father's generation, however, show a much greater variety in their composition. The number of these families is not large, but a study of their structure will give some idea of caste variations. Because the data is fairly consistent for each caste it may be taken tentatively as the general pattern for each caste.

Table 3

Age of Head	Nuclear		Joint (i)		Joint (ii)		Total
	Father	Brother	Father	Brother	Father	Brother	
35 and less	2	2	4	—	—	7	15
36 to 40	21	—	2	—	1	—	24
41 to 45	18	—	5	—	3	—	26
46 to 50	10	—	1	—	6	—	17
51 to 55	6	—	2	—	4	—	12
56 and above	5	—	3	—	3	—	8
Total	62	2	14	—	17	7	102

Table 4

Age of Head	Nuclear		Joint (i)		Joint (ii)		Total
	Father	Brother	Father	Brother	Father	Brother	
35 and less	1	2	1	3	—	9	16
36 to 40	6	—	7	—	—	—	13
41 to 45	7	—	8	—	7	—	22
46 to 50	6	—	4	—	6	—	16
51 to 55	6	—	2	—	2	—	10
56 and above	2	—	1	—	7	—	10
Total	28	2	23	3	22	9	87

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Of the thirty Brahmin joint families, twelve are parent in the father's generation. Six of these have one or other or both the paternal grand-parents only and two have an unmarried father's brother only. Of the remaining four, one has the head's father and his married sons and three have the father's married brothers as well as his father or both parents. These four alone may be classed as real joint families. The inclusion of an aged grandparent or of an unmarried uncle is actually like giving shelter to a social dependent and not real jointness. These may be considered as incomplete or atrophied joint families.

The Baniyas have the greatest deviation from the traditional family pattern in terms of numbers. But they show a better development of the joint family than the Brahmins. Of the thirty-eight joint families only fourteen are joint in the father's generation. But none of these is the atrophied type found among the Brahmins, consisting of an unmarried uncle. Nor is there the residual type that we find among Patidars where the partitioning of property is followed by a breakup into smaller units that may not be nuclear. We have data on the internal structure of eleven of these families. Three of these families, include married father's brothers only. Three include grandparents only. Four have both. One family consists of both married uncles and married brothers. Of these eleven families therefore, only the three with grandparents may be considered as incomplete. The others show a high degree of jointness. They are better developed than Brahmin families in terms of jointness.

Role of Property

The joint family shows the greatest development among the Patidars both in terms of numbers and the structure of individual families. Property especially plays a very clear role. There are fifty-seven joint families of which twenty-six are joint in the father's generation. Of the twenty-four families for which data is available, seventeen are bound together by common property and seven have divided the property but some of the original members of the joint family are still living together and may be called 'residual joint family.'

Where the property has not been divided, there is a marked tendency for the joint family to hold together. Thus in eleven of the seventeen families the father's married brothers are living together, and nine of these have in addition one or other or both the grandparents. Four of these three-generation families also contain the students' married brothers. These may be regarded as the joint family at the height of its development. No Brahmin family included both married uncles and married brothers, and the one Bania family that did so had no grandparent. The other six families where property is still joint, are of the incomplete type. Four have only grandparents and two of these state specifically that the married uncles in the one and married brothers in the other are separated. One family includes an unmarried uncle and one includes grandparents and married brothers.

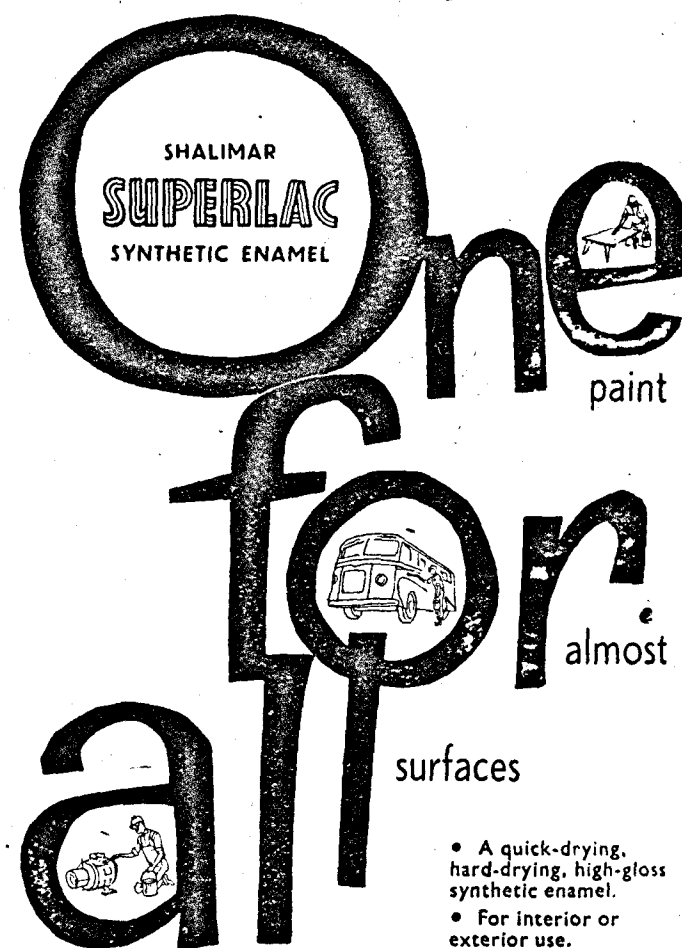
In the case of seven families the property has been divided and the father's married brothers have in all these cases separated. But a residual joint family has persisted with the continued inclusion of one or both grandparents. One of these families includes married brothers. Another is headed by a married brother and one is headed by an unmarried brother. But they are all the end result of a partitioning of property.

The comparison of the family structure in the three castes shows that there are very clear variations in each. This does not mean that there are family types for each caste but rather that there is a range of variations for all the castes with a tendency for one caste to vary in a particular direction.

A final point to note is that although from the point of view of the student joint families have been classified into two types, in actual fact at all ages the joint family consists of a head of the household and his married sons with their children and as the children grow up the tendency is to separate. If the student is an older child, his father will still be living with his father and brothers. If he is a younger child, his own brothers are

probably married and the separation from the father's family has already been made. Rarely does a joint family include two generations of married men.

In conclusion, it may be said that the present analysis is given more in the spirit of the possibilities of a new method of study than of the actual content of the subject because of the limitations of the kind of data available.



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Agriculture Inadequately Taxed

Pranab Kumar Bardhan

A simple aggregative comparison of the tax burden borne by the agricultural and non-agricultural sectors may not be conclusive, but a comparison based on the levels of per capita income and the pattern of distribution of income in the two sectors also indicates that the agricultural sector has not been adequately taxed.

The problem is not to strike a meticulous balance between the two sectors, but to exploit all taxable capacity, whether in the agricultural or the non-agricultural sector.

The question of balancing the scale is a problem best left to politicians once the economist is satisfied that potential resources for development are not left untapped because of political pressure.

It is not difficult to work out, in specific details, a scheme for additional agricultural taxation. What is at present lacking is, primarily, the political sanction.

One wonders if the political risks of a programme of agricultural taxation are not exaggerated. In any case, it would be politically unwise in the long run if our Plans are allowed to fail for want of resources.

FINDING resources for the Plans has been a tricky problem that has always worried our planners. The Third Plan target of additional taxation of Rs 1,710 crores (even this is likely to be revised upwards because of a very probable shortfall in receipts from other sources) represents a big sum, and cannot be achieved without a substantial 'break through' in our tax structure which, unfortunately, has remained in the last decade of planning as shoddy as ever, despite certain brave innovations on paper.

One major suggestion that has been bandied about for some time is more intensive taxation of the agricultural sector. This has found favour with many urban intellectuals, although opposition to the proposal is also not lacking. While the case for adequate taxation of the agricultural sector is, we believe, rather strong, the way it has often been argued leaves much room for improvement. While the opponents' stress on the stark poverty of our agriculture has bordered on irrelevance when we consider the taxable capacity of certain income groups in agriculture, the supporters, on the other hand, with their general and inconclusive figures for tax payment and unfair inter-sectoral comparisons have, in many cases, fared no better.

An attempt is made here to work out some detailed estimates that are relevant to the issue and see if any conclusion can be drawn. The estimates are based on some very rough calculations and arbitrary assumptions and require to be followed up by a more cautious

and thorough investigation.* Nevertheless, as a preliminary frame of reference, they may not be entirely valueless.

Agricultural Taxation and Development

That agricultural taxation as a source of development finance has been historically important is well known. In Japan, to take the classic example, land-tax accounted for 86 per cent of the total tax revenue in 1875-76 and 45 per cent in 1893-94; in 1906-07 revenue from land-tax amounted to 57 per cent of the total capital investment in that year¹. In the Soviet Union forced

* Two recent attempts on partially similar lines are:

- (1) 'Tax Burden for Indian Agriculture', by A Mitra, *Perspective*, June 1961.
- (2) 'Resource Prospects of the Third Five-Year Plan', by I S Gulati, 1960, Chapter V.

Some of the estimates made here differ from those of Dr Mitra or of Dr Gulati, simply because our assumptions are different.

¹ B F Johnston, 'Agricultural Productivity and Economic Development in Japan', *Journal of Political Economy*, December, 1951.

collection of grain in the thirties from farms, which were 'collective' in more than one sense, played the role that the land-tax played in Japan. In China today more than 50 per cent of total revenue comes from agriculture. Arthur Lewis also cites the recent cases of Burma, Uganda and Ghana where the agricultural sector has financed, in one way or another, much of economic development. In comparison, Indian agriculture lags far behind (see Table 1).

The assumptions made in preparing Table 1 are: (1) The agricultural sector's share of national income includes the whole of the income from agriculture and half of the income from 'house property'. In this we have followed the procedure adopted by Dr Gulati. (2) Direct taxes for the agricultural sector include land revenue (Central as well as State), agricultural income-tax and estate duty (State). (3) Indirect taxes include, along with other taxes on commodities and services, export duties and taxes on stamps and registration.

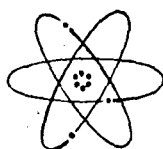
Table 1: Tax Revenue and National Income
(Rs Crores)

	1950-51		1959-60	
	Agricultural sector	Non-agricultural sector	Agricultural sector	Non-agricultural sector
National income (at current prices)	5095	4435	6440	6400
Tax revenue				
Direct Taxes	56	173	107	273
Indirect Taxes	165	234	210	627
Total	221	407	317	900
Sectoral tax revenue as p c of total tax receipts	35	65	26	74
Tax revenue as p c of national income from the particular sector	4	9	5	14

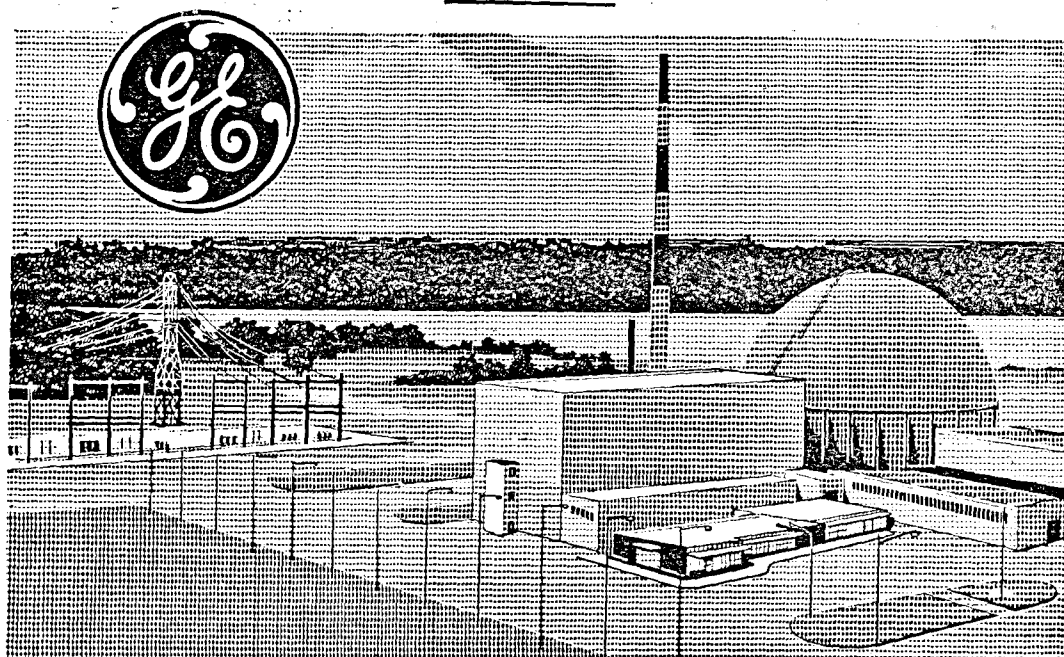
Sources: (1) 'Report on Currency and Finance', 1960-61.
(2) Reserve Bank of India Bulletin, Aug 1961.
(3) Report of The Taxation Enquiry Commission, 1953-54, Vol. I.

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The share of indirect tax revenue in the total expenditure of agricultural households is assumed to be 2.9 per cent in 1950-51 (the Taxation Enquiry Commission indicated this figure for 1953-54) and 3 per cent in 1959-60.

Total saving by rural households in 1950-51 was about Rs 190 crores. Assuming that 85 per cent of this came from the agricultural sector (according to the 1951 Census, about 15 per cent of the rural population was non-agricultural), we get the total saving by agricultural households in 1950-51 amounting to Rs 162 crores, and total expenditure to Rs 4933 crores. For 1959-60, we assume that total saving by rural households came to 2 per cent of national income that year (in 1958-59, it was 1.9 per cent). On these assumptions, total expenditure by agricultural households in 1959-60 amounted to Rs 6222 crores. To the amount of indirect taxation from the agricultural sector thus estimated, we add roughly 20 per cent of the revenue from export duty and 50 per cent of taxes on stamps and registrations in both the years.

Agriculture accounts for more than half of the national income. It is to be expected, therefore, that a substantial part of total tax receipts should come from this source. But actually its share in tax revenue is at present only a little over a quarter of the total (Table 1). Between 1950-51 and 1959-60, while the increase in tax revenue in the non-agricultural sector amounted to 25 per cent of the increase in income at current prices in this sector, the increase in tax revenue in the agricultural sector was only 6 per cent of the increase in income in this sector.

Per Capita Incomes

Many of the proponents of further taxation of the agricultural sector stop at this point. Actually this should be considered the beginning of the case for higher agricultural taxes. For, the relative performance of the two sectors as regards tax payment may indeed be a poor index of the taxable capacity of, and the relative sacrifice made by, the sectors. Taxable capacity, for example, may be related more significantly to per capita income levels, rather than the total

income of the two sectors. An estimate in per capita terms is made in Table 2.

Table 2: Per Capita Incomes
(in Rs)

	1950-51	1959-60
1 Per capita income in agriculture	202	215
2 Per capita income in non-agricultural sector	411	497
3 (1) as p c of (2)	49.1	43.3
4 Per capita tax in agriculture	8.7	10.6
5 Per capita tax in non-agricultural sector	37.7	69.9
6 (4) as p c of (5)	23	15.2

The assumptions made in preparing Table 2 are: Agricultural population for 1950-51 was 70 per cent of total population in the 1951 Census. For 1959-60 we have used the figure for total rural population given by the 1961 Census while assuming that population, both in the agricultural and the non-agricultural sectors, grew by 2 per cent per annum and that 15 per cent of the total rural population was non-agricultural.

The case for additional taxation of agriculture still remains strong. While per capita income in agriculture was a little less than 45 per cent of the per capita income in the non-agricultural sector in 1959-60, the per capita tax level in the former was only about 15 per cent of that in the latter.

Upper Income Groups

What about the tax-payment position of the 'upper income groups' (those earning Rs 3,000-3,600 per annum or above) in both the sectors, which are the most relevant groups for purposes of additional taxation? For the agricultural sector, we assume that those operating holdings of 30 acres and over fall in the upper income group. According to the National Sample Survey's 'First Report on Land Holdings', they own about 27 per cent of the total operated land area. We also roughly assume that their share of total agricultural income approximates to their share in ownership. On this assumption, the agricultural upper income group earned Rs 1739 crores in 1959-60, while in 1953-54 they earned Rs 1460 crores (we take this latter figure from Table 6 of Dr A Mitra's article referred to earlier). The tax payment of this group is estimated in Table 3.

Table 3: Tax Paid by Agricultural Upper Income Group
(Rs crores)

	1953-54	1959-60
Land revenue	19.30	25.85
Agricultural income-tax	3.77	8.92
Estate duty	...	2.77
Indirect taxes	60.28	70.40
Total	83.35	107.94
Tax revenue as p c of total income of this group	5.7%	6.2%

Assumptions made in Table 3 are: (1) Land revenue being a proportional tax, the proportion of total land revenue that the upper income group pays is the same as the proportion of total agricultural land it owns. (2) Agricultural income-tax and estate duty (State) are paid exclusively by this group. (3) Indirect taxes paid by this group are 4.4 per cent of its total expenditure ('Report of the Taxation Enquiry Commission', Vol I). (4) Total expenditure of this group was 94 per cent of its income in 1953-54 and 92 per cent in 1959-60.

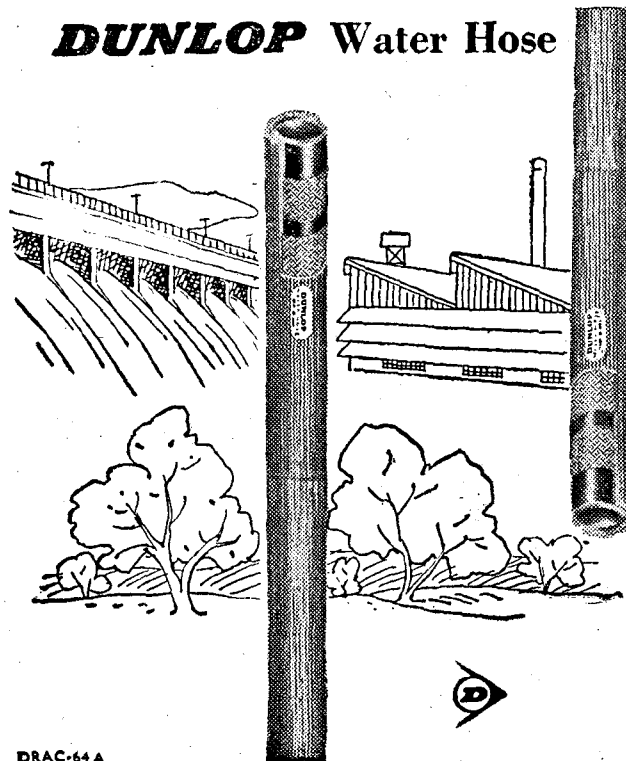
The non-agricultural upper income group is assumed to consist of individual assesses in the income-tax paying class, whose assessed income amounted to Rs 470.4 crores in 1953-54 and Rs 742.2 crores in 1959-60. The tax payment of this group is estimated in Table 4.

Table 4: Tax Paid by Non-Agricultural Upper-Income Group
(Rs crores)

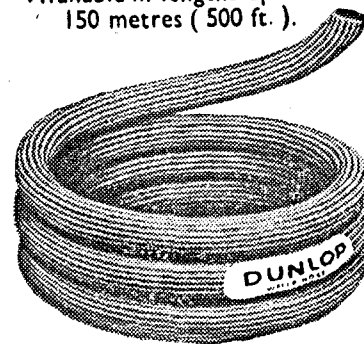
	1953-54	1959-60
Income-tax	75.2	96.5
Expenditure tax	...	8
Tax on wealth	...	12.1
Gifts tax	...	8
Indirect taxes	34.6	53.4
Total	109.8	163.6
Tax revenue as p c of total income of this group	23	22

Assumptions made in Table 4 are: (1) The expenditure tax, the tax on wealth and the gifts tax are fully paid by this group. (2) Indirect taxes paid by this group are 8 per cent of its total expenditure ('Report of the Taxation Enquiry Commission', Vol I). (3) Total expenditure of this group was 92 per cent of its income in 1953-54 and 90 per cent of its income in 1959-60.

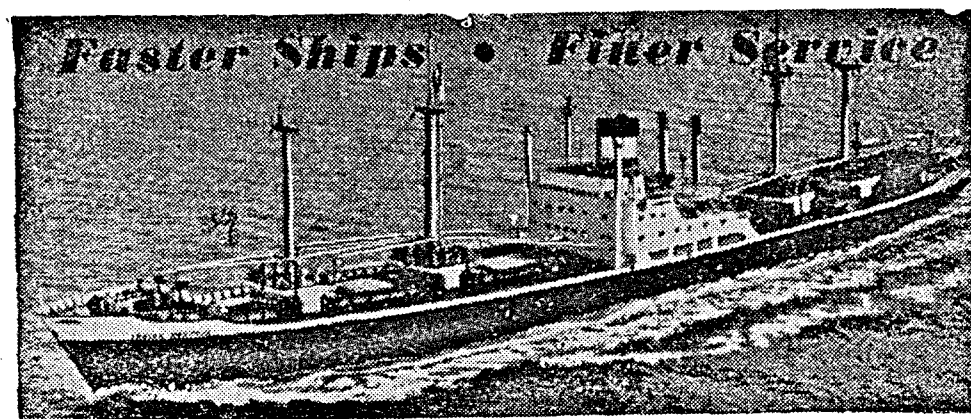
It appears that, while the non-agricultural upper income group pays about 22 per cent of its income in taxes, the corresponding

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percentage for the agricultural upper income group is only about 6. Between 1953-54 and 1959-60, while the increase in tax payment by the non-agricultural upper income group amounted to 19.8 per cent of the total increase in its income, the corresponding percentage for the agricultural upper income group was only 8.8. An estimate in per capita terms is made in Table 5.

Table 5: Per Capita Incomes and Tax Payments

	(in Rs)	1959-60
1 Per capita income of the agricultural upper income group	1,233	
2 Per capita income of the non-agricultural upper income group	9,663	
3 (1) as p c of (2)	12.8	
4 Per capita tax burden of the agricultural upper income group	77	
5 Per capita tax burden of the non-agricultural upper income group	2,130	
6 (4) as p c of (5)	3.6	

Assumptions made in Table 5 are: The agricultural upper income group constitutes about 4.7 per cent of the agricultural population and the non-agricultural upper income group consists of 768,100 assessees.

Pattern of Income Distribution

We have so far largely ignored one very important factor bearing on the taxable capacity of any sector of group, viz; the pattern of income distribution within the sector or group. That any estimate purporting to show that the agricultural sector is undertaxed relative to the rest of the economy remains at best superficial, if it overlooks the income distribution pattern, is often very insufficiently recognised. Under a progressive rate structure, tax collection will be higher in the sector with the more unequal distribution of income, even if the levels of total per capita income in the two sectors happen to be the same. But if we want to allow for this factor in our estimates, we encounter innumerable difficulties, since data on income distribution, national or intra-sectoral, are very meagre and scattered (and the Mahalanobis Committee is taking too long a time to enlighten us). Nevertheless, we may attempt some rough estimates to serve our purpose.

For the non-agricultural sector we fall back upon income-tax statistics, and for the agricultural sector on NSS data on the distribution of land holdings. (Although NSS data relates to 1953-54, it can be assumed that the pattern has not substantially changed since then). We consider the distribution of income within the upper income groups, agricultural and non-agricultural, for 1959-60 in Tables 6 and 7.

Table 6: Income Distribution in the Agricultural Upper Income Group

Size of Land Ownership (acres)	Population (p c of total population of the agricultural upper income group)	Total Income (p c of total income of the agricultural upper income group)
More than 30	100	100
40	65.6	72.2
50	51	55.6
75	13	31
100	8	24
250	0.7	6.6
500	0.2	2.2

Source: Table 6 in Dr. A. Mitra's article, *op cit*.

Table 7: Income Distribution in the Non-Agricultural Upper Income Group

Income range (Rs)	Population (p c of total number of assessees)	Total income (p c of total assessed income)
More than 3,000	100	100
5,000	63	84
7,500	37	67.5
10,000	25	56.6
15,000	13	41.8
20,000	8.2	32.9
100,000	0.3	5.5

Sources: (1) Quarterly Economic Report by the Indian Institute of Public Opinion, July 1961.

(2) Public Finance, Economic Growth and Redistribution of Income in India by V K R V Rao, *The Economic Weekly*, August 26, 1961.

The tables confirm the common notion that income is more unequally distributed in the non-agricultural upper income group.² Hence, it

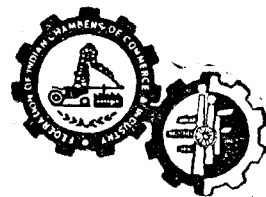
² It may be pointed out that income distribution in the non-agricultural sector is actually more uneven than Table 7 seems to indicate, since we have to allow for the well-known understatement of incomes for tax assessment (Kaldor puts understatement of non-agricultural incomes at 50 per cent); but then, for the agricultural sector too, even apart from some possible understatement of ownership of holdings (or income), the concentration in ownership of land may be greater than the concentration in operational holdings, since tenants with permanent occupancy rights have been treated as 'owners' in the 'Survey of Land Holdings'.

may not be surprising at all that the non-agricultural upper income group pays more in taxes than its agricultural counterpart, and the disparity in tax incidence in the two sectors may not always reflect a disparity in real sacrifice undergone. But there still may be a case that the former disparity cannot be fully explained by the difference in income distribution pattern in the two sectors. A partial explanation may lie in the less progressive character and narrower coverage of the existing tax structure in the agricultural sector.

We can take a few illustrations. It is estimated that 0.6 per cent of the total agricultural population, earning 9 per cent of the total agricultural income paid in 1959-60, 2.9 per cent of their income as land revenue and agricultural income tax (even assuming that of Rs 8.92 crores collected from agricultural income tax in 1959-60, this group alone contributed Rs 8 crores), whereas 0.6 per cent of the total non-agricultural population earning 12 per cent of the total non-agricultural income paid in 1959-60, 13 per cent of their income in income tax alone; certainly the disparity in income distribution cannot fully account for the disparity in tax payment in this case. Again, while the top 0.3 per cent of the non-agricultural upper income group paid in 1959-60 about 61 per cent of its income in income tax alone, the top 0.2 per cent of the agricultural upper income group paid 24 per cent of its income in direct taxes (even assuming that of Rs 8.92 crores in agricultural income tax, it contributed as much as Rs 7 crores and of Rs 2.77 crores collected in Estate Duty, it contributed as much as Rs 2 crores).

Agricultural Taxation Inadequate

All this shows that, while simple aggregative comparisons of sectoral tax burden are not fair, there is no denying the fact that the agricultural sector in India has not been adequately taxed. It appears from recent literature on the subject that we very often get the focus of discussion all wrong. The crux of the problem is not how to strike a meticulous balance in the relative



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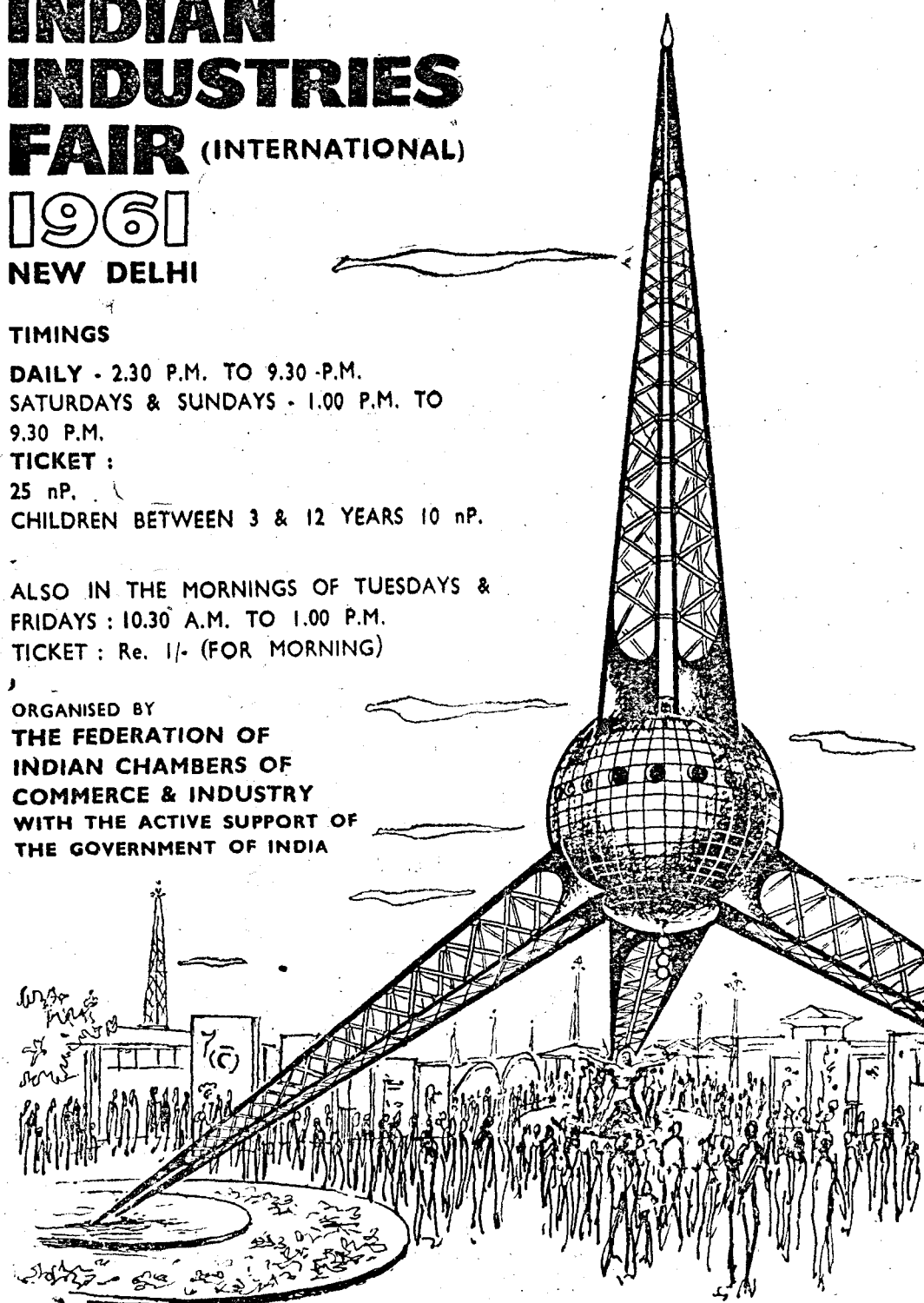
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tax burdens of the two sectors, and mete out (like the monkey in the fable) some sort of abstract justice, but to launch an intensive programme of taxation all around, both in the agricultural and in the non-agricultural sectors and press on every possible point of excess taxable capacity. (That even the non-agricultural sector has not come up to the mark is evident, for instance, from Table 4, where we find that the percentage of income paid as tax by the non-agricultural upper income group actually declined between 1953-54 and 1959-60).

The question of balancing the scale arises only on the political level, and at that level what Dr A Mitra calls 'the strategy of simultaneous approach' may conveniently be adopted to a large extent, diverting much of public attention from the marginal realignment of burden that it might involve. "So long as particular groups are convinced that they are not being called upon to make a unilateral sacrifice, they are unlikely to examine too closely the relative shifts which follow from the new measures of taxation". In any case, this is a problem of political strategy and should best be left to politicians, so long as the economist is satisfied that potential resources for development are not frittered away under political pressures and counter-pressures.

Some New Taxes

It is beyond the scope of this paper to elaborate on concrete proposals of additional agricultural taxation. One can, however, easily think out a balanced fiscal 'package' consisting of the following :

Land Revenue : There has been more than a four-fold rise in agricultural prices since 1939, but land revenue rates fixed at depression and pre-depression prices have remained more or less unchanged and their real burden has been considerably lightened. Surcharges can be levied on holdings above 10 acres on the basis of changes in the price-level and the rise in agricultural output.

Agricultural Income Tax : The case for the agricultural income tax was well reasoned out by Shri Y K Alagh in *The Economic Weekly* of Sep 30, 1961; we find that instead of remaining stagnant (as Dr Gulati takes it to be), its yield, taking all

the States, increased by about 100 per cent over the last decade, that ceilings on land holdings will not substantially narrow the tax base, that the application of 'presumptive' techniques of assessment might detract much from the administrative difficulties of this tax. Actually, agricultural income tax will serve as a very good supplement to land revenue. There is much scope for an upward revision of rates in some States to bring them in line with those in States like Orissa (where the maximum rate is 78 per cent) and also in line with the taxation of non-agricultural income, for bringing down the exemption limit particularly for rental incomes,³ and for putting a stop to the considerable tax evasion.

Agricultural Wealth Tax may be levied on the lines of the Australian Commonwealth land tax.

Surcharge on holdings above 5 acres under commercial crops (about 18 per cent of the total cultivable land is under commercial crops) with different rates for different crops.

A progressive Betterment Levy, as proposed by Dr Gulati, on holdings above 20 acres (with the rate ³ Rental incomes in India are estimated to be around Rs 800 crores; cf S J Patel, 'The Distribution of the National Income of India, 1950-51', *Indian Economic Review*, Feb 1956, and A K Chatterjee, 'Factor Shares in National Income of India, 1956-57', *Arthaniti*, July 1961.

rising from 50 per cent to 75 per cent of the increment in capital value) and with a development period of 10 years. It is important, as Dr Raj insists,⁴ not only to raise additional tax resources from the agricultural sector and make the rate structure more progressive but also to take care, at the same time, to do this without affecting adversely the incentives to produce or market more.

It is not difficult to work out in specific details a scheme for additional taxation of the agricultural sector. What is at present primarily wanting is a political sanction for it. One wonders if we are not often in the habit of exaggerating the political risks involved in such a programme. In a country where the ruling party commands so strong a position, it would be unjustifiably timid not to capitalise on it and take the plunge. The picture of a tax-sensitive electorate toppling the Government (as in France in not-too-distant past) is perhaps overdrawn. Nor would it be politically wise in the long run if our Plans, for all their moderate ambitions, fail to deliver the goods, simply because of a shortage of domestic resources. It is better that we get rid of some of our political inhibitions before it is too late.

⁴ K N Raj, 'Resources for the Third Plan', *The Economic Weekly*, Annual Number, 1959.

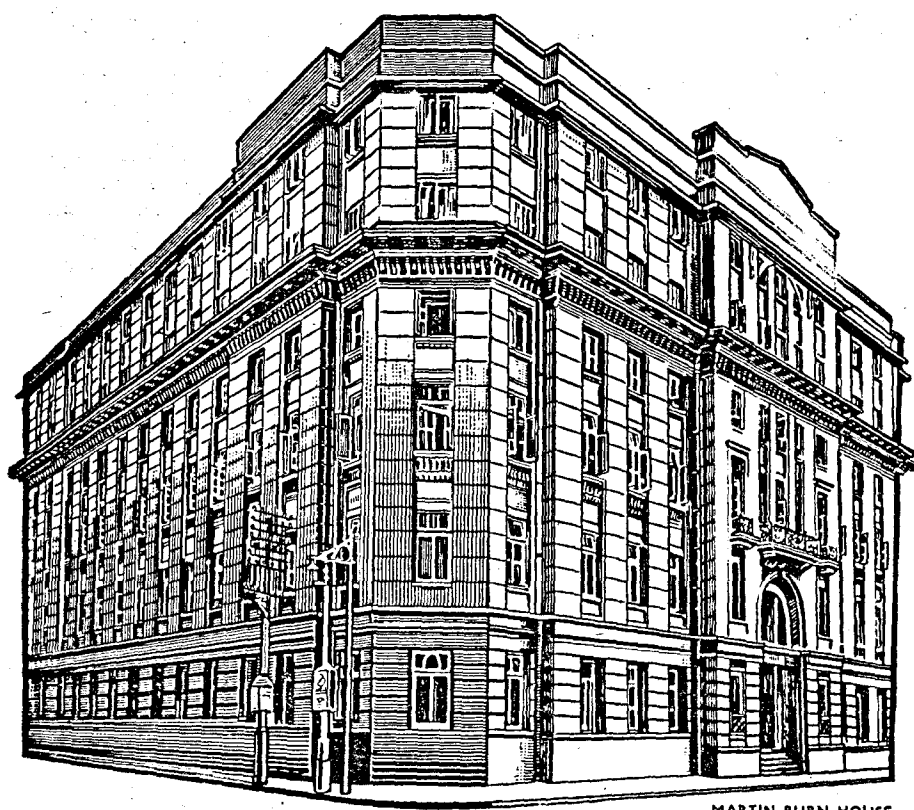


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Company Notes

CENTRAL INDIA MAKES PROFIT AFTER FIVE YEARS

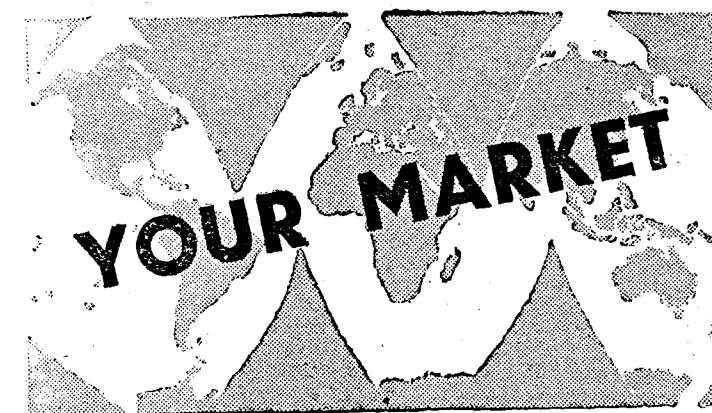
AFTER five successive years of heavy losses, Central India Spinning, Weaving and Manufacturing has been successful in earning a profit during the year ended June 30, 1961, thanks to fuller utilisation of capacity, rationalisation, better demand for cloth and higher realisation obtained during the major part of the year. The improvement in demand and higher realisation are reflected in an increase in sales from Rs. 4.27 crores to Rs. 5.48 crores, which enabled the company to earn a gross profit of Rs. 33.84 lakhs, against a loss of Rs. 8.93 lakhs in the previous year. That the company was well on its way to recovery last year itself is indicated by the substantial fall in loss from Rs. 52.69 lakhs incurred in 1958-59 to Rs. 8.93 lakhs.

The marked improvement in the fortunes of the company does not mean anything to the shareholders. No distribution is being made to the ordinary shareholders for the sixth year in succession and the preference shareholders too have had to go without any return for the fifth consecutive year, in view of the heavy accumulated losses and depreciation. After setting aside Rs. 13.33 lakhs for depreciation, the profit of Rs. 20.51 lakhs has been utilised to reduce the accumulated loss from Rs. 90.17 lakhs to Rs. 69.66 lakhs.

The company's finances are in a badly shattered condition. The company is eighty-two years old and it has no reserves worth the name, except a sum of Rs. 10.76 lakhs, against a paid-up capital of Rs. 96.87 lakhs. In 1947-48, the company's reserves had stood at Rs. 97.15 lakhs and borrowings and deposits at Rs. 66.89 lakhs. At the end of 1960-61, while the reserves have been depleted to Rs. 10.76 lakhs, borrowings have mounted up to Rs. 511.15 lakhs, that is, nearly five times the paid-up capital and reserves. In 1960-61 alone, the interest burden on these borrowings came to Rs. 28.13 lakhs. There is also a gross imbalance between capital and fixed assets which stand written down from Rs. 469.12 lakhs to Rs. 305.58 lakhs. Of the investments of Rs. 27.79 lakhs, Government securities of the face value of

Rs. 17.21 lakhs (market value: Rs. 16.31 lakhs; and value at cost: Rs. 16.90 lakhs) have been sold since the close of the year. The current assets amount to Rs. 254.83 lakhs and works under construction Rs.

2.96 lakhs. The net worth of the company is Rs. 107.63 lakhs. After deducting the preference capital of Rs. 50 lakhs, the ordinary share of Rs. 100 each is worth Rs. 123, against the present market value of Rs. 128.



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THE high premium which the ordinary shares of T Maneklal Manufacturing commands in the market [the Rs 100 paid-up (old) shares being quoted at Rs 670] is inexplicable and does not seem to be warranted by the size of the company and its turnover, though the results of the company for the year ended May 31, 1961 are encouraging and the new lines of manufacture which it proposes to

undertake hold promise of a rise in the earning capacity. The sales have grown from Rs 56.01 lakhs to Rs 82.61 lakhs and the gross profit has improved from Rs 9.61 lakhs to Rs 17.89 lakhs, raising the ratio of profit to sales from 17.1 per cent to 21.6 per cent.

The net profit has risen from Rs 4.07 lakhs to Rs 7.74 lakhs, after making larger provisions for managing agents' remuneration, depreciation and taxation. In consonance

with this improvement, the dividend has been stepped up from 18.5 per cent to 27 per cent, subject to deduction of tax, with proportionate distribution on the new capital. The dividend absorbs Rs 3.46 lakhs, against Rs 1.85 lakhs last year, and the allocations to the various reserves Rs 4.11 lakhs, against Rs 2.20 lakhs. The dividend is no doubt well covered, but for an investor it is least attractive with a tax-free yield of 2.9 per cent.

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IT was a disastrous week for the stock exchange. Dalal Street suffered its worst decline of the year and the performance of the other stock markets was not any different. Equities dropped like a stone and gains accumulated over months were wiped out in a matter of few days. Between December 4 and 6, Century fell from Rs 593.50 to Rs 547, Kohinoor from Rs 311.50 to Rs 289, Standard Mills from Rs 1110 to Rs 955, Indian Iron from Rs 24.92 to Rs 23.52, Tata Steel from Rs 143.25 to Rs 135.50, Telco from Rs 353 to Rs 325.50, Bombay Burmah from Rs 650 to Rs 591, Hindustan Motors from Rs 20.48 to Rs 19.20 and National Rayon from Rs 575 to Rs 526. Vyapar's equity share index declined from 144.39 to 137.10 during the same period and at its Wednesday's low the index stood less than 3 points above its August low of 134.24. The decline was by no means confined to the speculative counters. Cash shares also suffered heavy losses and buyers were hard to find. Vyapar's index for new issues recorded a decline of nearly 6 points over the week at 88.52.

While the previous week's sharp break had been caused essentially by technical considerations — equity prices had risen appreciably since the end of August — the panicky selling which produced last week's perpendicular fall in equities was provoked entirely by the further deterioration in the Goa situation and by the Chinese threat to march across the McMahon Line if India did not stop her military activity in the Himalayan region. Developments in Goa had never been taken very seriously by the stock market. But the market was rudely shaken by the new Chinese threat and its reaction could by no means be dismissed as impulsive. Even the recent developments in Goa have caused considerable dislocation in transport, which, if continued for long, will adversely affect industrial production. Consequences of defending the vast northern border against an aggressive China, let alone waging a war, can be very

serious. Increased defence burden can have a telling effect on the tempo of economic development in the country. The resources position is already far from being comfortable. The Union Finance Minister is reported to have stated at a recent meeting of the Informal Consultative Committee of Parliament that the resources visualised for the private sector in the Third Plan (Rs 1250 crores) could not be stretched further. According to the Planning Commission, the overall requirements of the private sector would be Rs 1350 crores — Rs 100 crores more than the actual provision. In terms of foreign exchange, about Rs 530 crores would be needed as against a provision of Rs 300 crores.

Last week's precipitous fall has brought the stock market fairly close to its August low which constitutes a very significant bottom. Under normal circumstances, one could expect the market to take strong support around this level, the more so when the preceding fall has been of a perpendicular nature. But the present circumstances are far from normal. Any thing can happen to a market when the price trend is being moulded essentially by developments in the political situation. Reports of institutional buying in selective counters in Wednesday's panicky sell off induced a steadier feeling in the market. Prices staged an all-round rally. Will this rally proceed much farther? Who can tell? For, it all depends on the developments in the political situation.

New Margin Scheme

The stock exchange authorities have decided to change the clearing programme in view of the difficult situation created by adverse political developments. The new account period commencing from 8th December will end on 22nd December instead of 5th January as notified earlier. The Board will decide later whether the market should be closed or kept open during Christmas holidays. The stock exchange authorities have also announced the new system of automatic margins which

comes into effect from the start of the new account. Apart from the graded margin, varying from 2 per cent to 30 per cent on the outstanding carryover business — members have been permitted to offset the value of the membership card and their deposits which vary from one stock exchange to the other — automatic margin has been introduced in case prices rise or fall by more than 10 per cent from the making-up prices in one settlement or by 15 per cent over two settlements. Margins will have to be paid at the rate of 50 per cent of the difference between the interim making-up price and the making up price of the previous settlement. The stock exchange community has no reason to feel uneasy over the revised scheme of margins. In fact, it should be welcomed because it is not as harsh as it had been feared earlier and its automatic nature will relieve the market of the uncertainty about official attitude towards market fluctuations. That margins are necessary to ensure market's solvency in the event of violent fluctuations will be readily conceded.

Cotton**Control Is a Farce**

IT is now quite a few weeks that ready cotton prices shot through the ceiling. Premiums persist despite the introduction of compulsory survey; they have continued to harden since there has been no noticeable improvement in arrivals with the progress of the season. The Textile Commissioner cannot be unaware that all varieties of cotton, excepting Bengal Deshi, are quoted Rs 20 to Rs 60 per candy higher than the ceiling rates. The quantity requisitioned by the Textile Commissioner at the instance of certain mills does not exceed a few thousand bales which is much too small in relation to mills' requirements. Apparently, mills prefer buying cotton above the ceiling rates to seeking the Textile Commissioner's help in securing their supplies. The Indian Cotton Mills' Federation's appeal to the member mills to

cooperate with the authorities in making control a success has not been of much avail. That business in ready cotton should continue to take place freely at above the ceiling rates reflects poorly on the authorities entrusted with the task of administering price control. The plain truth is that Cotton Control Order has been reduced to a complete farce. If control cannot be enforced strictly it had better be scrapped because that might at least help growers to increase the production of cotton. Whatever be the justification for control on cotton, there is no gainsaying that the maintenance of ceiling prices at the levels prevailing many years ago has upset the price relationship between cotton and other agricultural commodities to the detriment of cotton cultivation.

The emergence of sizable premiums so very early in the season indicates an imbalance between demand and supply resulting mainly from a much smaller crop, though consumption has also risen. Crop estimates have recently been revised down to around 46.5 lakh bales. Prospects of large imports of cotton are not considered very promising. Though the Cotton Advisory Board has recommended the import of about 12 lakh bales this season, import allocations issued up to now total only 250,000 bales. The quantity licensed up to 11th November is placed at 111,252 bales. Actual arrivals, however, are larger around 334,411 bales because these include cotton licensed in the previous season. With spot cotton fetching substantial premiums, cotton futures last week recorded a further impressive rise from Rs 655 to Rs 677 which takes the hedge contract fairly close to its ceiling of Rs 693. Futures rose despite the penal margin of Rs 6,000 per unit of trading at above Rs 665.50. Only the Forward Markets Commission will feel intrigued by the behaviour of the futures market.

Oilseeds

Prices Advance

OILSEEDS prices recorded impressive gains last week. Castor March shot up from Rs 159.25 to Rs 168.50 (per 250 kgs); cottonseed January rose from Rs 104 to Rs 108.50 (per 250 kgs) and linseed March improved from Rs 38.81

to Rs 40 (per 50 kgs). Wednesday's closing prices were not much below the week's best levels, which are new high levels for the season in the case of cottonseed and linseed. Groundnut January which had been quoted around Rs 211 at the previous week-end rose to above Rs 215 — the ceiling fixed by the Forward Markets Commission—which brought official business in groundnut futures to a standstill. But bears seemed anxious to square-up their positions at Rs 2 to Rs 3 above the ceiling rate since uncertainty persists whether, because of the ceiling, they (bears) can get away without having to pay the penalty of Rs 5 (per 250 kgs) for failure to tender goods against their hedge sales during the maturity period. With the price rising above the ceiling of Rs 17.65 (per 10 kgs), trading in groundnut oil futures has also come to a standstill.

Futures trading in groundnut and groundnut oil has come to a standstill but that has not made the spot material any the less costly. In ready, even the inferior most quality of groundnut is quoted around Rs 238 (per 250 kgs) and oil is eagerly sought after by vanaspati manufacturers without much consideration for the price; the latest quotation for groundnut oil ready is around Rs 19. Last season, the Commission fixed a ceiling of Rs 225 for the hedge contract but groundnut ready were bid up to Rs 280. The market has again put the Commission completely in the wrong this season. The Commission is intrigued by the rising trend in groundnut prices despite a record crop of 28/30 lakh tons and absence of any export policy for oil. But it would be a mistake to dismiss the rise in groundnut as purely speculative. The rise mainly reflects increased domestic consumption for which no reliable estimate is available. There is little sense in controlling futures or even ready prices when there is no control on the end-product. The rising trend in groundnut oil prices cannot be checked as long as vanaspati manufacturers find it profitable to convert the raw material into vanaspati. The current price of Rs 19 per 10 kgs for groundnut oil leaves quite an attractive margin for vanaspati manufacturers.

Exports at Standstill

Sentiment in the oilseeds market continues to be guided mainly by the rising trend in groundnut prices. With futures activity in groundnut at a standstill as a result of the arbitrary ceiling of Rs 215, speculators have turned their attention to other counters. That is why there has been a marked increase in turnover in castor, linseed and cottonseed. Bulls dominate everywhere. Castorseed continue to rise even though export business in castor oil has come to a virtual dead end. The disparity between Indian and world prices of castor oil has widened further with the recent rise in internal prices while competition from Brazil is increasing. Recently, however, Brazil is reported to have raised the quotation for its oil by nearly half cent per lb to 14 cents for first pressure. But this is unlikely to change the export outlook for Indian castor oil, the only oil which had been saleable abroad. The rising trend in groundnut and groundnut oil prices has almost set at rest speculation about Government's export policy. Few now think that the Government will permit the export of groundnut oil, notwithstanding a larger crop and difficult foreign exchange position.

Export houses did not report any important fresh business in groundnut extractions during the week. Shippers seemed content with covering their outstanding sales effected at much lower prices in the hope of cheap and abundant supplies with the movement of the bumper Indian groundnut crop. Nearby positions showed further strength due to anxious short covering, with December shipment quotation rising by about £ 1 per ton over the week from £ 32.10 to £ 33.10. Overseas inquiries are reported to be fairly good. Among oilcakes, only groundnut extraction is saleable abroad.

Bullion

Spot Prices Subdued

SURPRISING as it might seem, the recent developments in Goa and the latest Chinese threat to march across the McMahon Line, which have rudely shaken the stock market have left the bull market almost undisturbed. Speculators are known to mark up bullion prices on any adverse political news. But

last week, bullion prices not only did not rise but they actually recorded small losses and the decline was quite marked in the case of gold. While silver ready eased slightly from Rs 211.30 to Rs 211, gold ready fell from Rs 122.15 to Rs 119.25 over the week. The weakness in ready resulting from the rather slack off-take and satisfactory

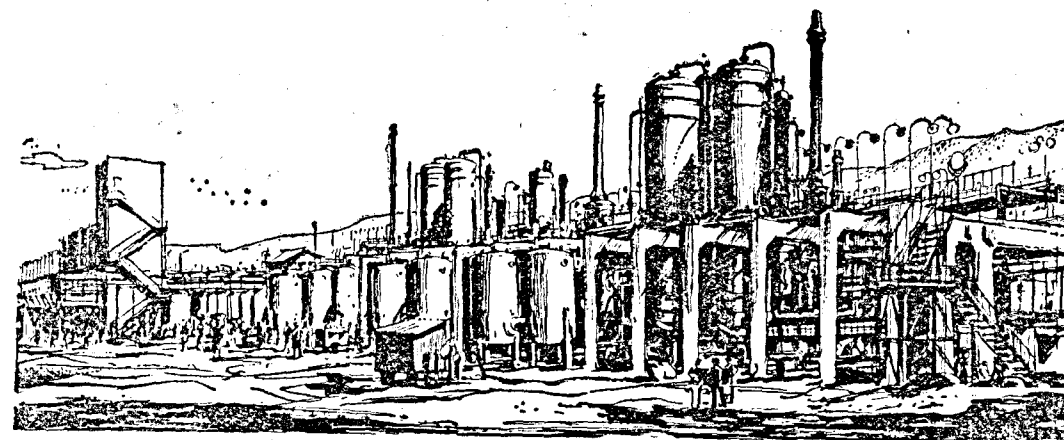
inflow of smuggled material discouraged bulls from lending any important support to gold despite growing anxiety about the political situation. The quotation for Magsar settlement eased gradually from Rs 123.35 to Rs 121.20 per 10 grams. Silver was comparatively steadier. After being bid up to a new all-time high of Rs 213.90

mainly under the influence of a steep rise in foreign markets, silver Magsar delivery eased to Rs 211.25 per kilogram. That bullion prices should have virtually ignored the deterioration in the political situation suggests that the prevailing prices of precious metals are not considered tempting for hoarding.

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Printed by A Fernandes at New Jack Printing Works Private Ltd., Globe Mills Passage, off Delisle Road, Bombay 13, and published by him for Asian New Age Publishers Private Limited from 65, Apollo Street, Fort, Bombay 1. Editor: SACHIN CHAUDHURI

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The Economic Weekly

A Journal of Current Economic and Political Affairs

THIRTEENTH YEAR OF PUBLICATION

December 16, 1961

Volume XIII No 50

Price 50 Naye Paise

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End this Agony

WHILE India has communicated to the Security Council the position in regard to Goa, there was no question of submitting any dispute to the supreme body of the United Nations. No dispute arises, for the Portuguese occupation of Goa is there and the fact is not under dispute. Goa being Indian territory, its continued occupation by a foreign power constitutes aggression and India has made no secret of it that she is determined to vacate this aggression by any means open to her. India maintains an army and, as Pandit Nehru has said pretty emphatically, the use of force is not ruled out. The restraint which India has shown all these years has convinced the world that India prefers other means, if at all possible. If India resorts to force, it will not be in haste or with pleasure. The last resort still remains the last resort, to be taken recourse to when every other means has failed.

The developments of the week, according to some, hold out a feeble hope that Portugal may yet be made to see reason, but this is a hope which lacks at this writing any foundation in fact or confirmation from the right quarters. On the contrary, both Britain and the United States have sought to clarify their respective positions, and in doing so, they have adroitly and deliberately evaded the issue. Both have stated that they do not support colonial rule and that they would be prepared to concede the case for autonomy for the colonies.

This is neither here nor there, for Goa is not a colony in which the Goans have to establish their case for autonomy. The struggle for liberation on the part of the Goans need not be recounted here. The revolt is mounting but it is being held back by force. It is not a colonial struggle for autonomy that they are waging. They are struggling for the restoration of their territory to the motherland.

The Portuguese are in such a state of panic and have been acting so madly that they have become a danger even to themselves and to their own minions and mercenaries. It would be humane, an act of charity, to put an immediate end to this impossible situation than to allow it to worsen any further—if that is possible—and prolong the agony by postponing action for diplomatic and such other considerations.

If the Government of India should use force now to help the Goans, already in a state of rebellion, to drive out the Portuguese, the complaints or protests are likely to be, ironically enough, on the ground of India's own policy of pursuing the path of peace and peaceful settlement of disputes. But this policy has never been a rigid one: there have been departures from it in the past and there are likely to be more of them in future. Peaceful settlement is conceivable where the other party is amenable to reason and prepared to discuss. But Portugal has never shown any interest in this direction, and even at this late stage, the only talk of negotiations has been with reference to problems of 'neighbourliness'. Portugal has again and again declared that it will cling to Goa whatever the cost and there has even been a threat by Salazar that if Portuguese should ever be forced to quit, he would see that Goa was destroyed before that happened. Will it not be humane to act in time to prevent such senseless destruction?

THE ECONOMIC WEEKLY
65, Apollo Street, Fort,
Bombay.

Telephone : 253406.

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Foreign 40s or \$ 6

Sugar: Production Target and Prices

WHAT is the meaning of a target production, a plan target, for an industry in the private sector? The target is usually set in terms of a quantum of production. To achieve this, a certain level of productive capacity is necessary, among other things; and, to build this capacity, the investment required can be estimated. Assuming that other requisites of production such as labour, raw materials, transport and power are, in fact, available, the expectation is that, if the required investment is made, the desired or intended ('planned') level of production would be forthcoming, after a certain time lag between the investment and output. A target in any case is what is expected to be achieved at the end of the Plan period. It is an expectation, but the expectation may be no more than the best guess possible, on the basis of the prospective market conditions, of what is likely to happen. Or the target may mean something more definite, something intended to be achieved by providing all that is necessary to attain it. In the latter case, the fixation of a target will imply the allocation of the necessary resources to the industry concerned, along with the maintenance of the incentive necessary to ensure the achievement of the target. Between these extremes, there is a fairly wide range where the achievement of the target is taken as reasonably certain, on the assumption, of course, that favourable prices and profit expectations and other conditions are maintained.

Targets are determined in different cases on different considerations. In one case, it may mean the maximum attainable in the circumstances, as judged by the resources that can be made available for the industry concerned. The foreign exchange likely to be available in the form of imported capital goods may set a limit. Where foreign exchange is not the limiting factor, availability of raw materials, transport, etc., or a definite idea about the point at which the demand for the product should be stopped may be decisive. An example of the last would be restriction of the target, as in common production programmes, in order to secure the social or economic

objective of maintaining a balance between different industries or between different units of the same industry.

Now, what are the factors, on the basis of which a target for the sugar industry was fixed at 3.5 million tons of sugar at the end of the Third Plan? The factors which, according to the Third Plan, influenced the decision are two: first, the belief that the stage of self-sustained growth had already been reached by the beginning of the Third Plan as a result of the progress made in the manufacture of sugar mill machinery; second, the expected availability of sugarcane. The Third Plan envisaged the expansion of sugarcane to 100 million tons mainly through improvements in the yield per acre. After allowing for the production of gur and other miscellaneous uses, the Plan estimated that 35 million tons of sugarcane would be available for production of sugar. This would call for an expansion of crushing capacity to 3.5 million tons per year, and this was the target fixed in the Third Plan. Already production has attained 3 million tons and, therefore, the capacity needs to be expanded by only half a million tons.

This is one way of arriving at the target, by the availability of sugar machinery and sugarcane. The target to be achieved, however, has also to meet the condition that there will be demand for this quantity of sugar at a price which the mills will find worth-while or economic in order to maintain production. What about this aspect of the target? The Third Plan is somewhat vague on the subject and rests content with the hope that the production of sugar throughout the Third Plan period will be 'adequate' to meet the demand in full, leaving a surplus which will be exported.

What does it mean to say, that the sugar production will leave a surplus after meeting demand 'in full'? The demand, unfortunately, is not a fixed amount, but varies according to price. In the case of some of the targets as in that of cloth, the starting point has been more tangible, such as so many square yards of cloth per head of the population. If the level of consumption at the

beginning of the Third Plan was what the Planning Commission had in mind when talking about meeting the demand 'in full', it would not have been necessary to expand production capacity by anything more than the expected rate of increase in population. The following figures of off-take go to show that the demand for sugar has been more or less unchanged.

	(in million tons)
1958	20.5
1959	20.7
1960	20.2
1961	21.0

Since the Planning Commission could not have believed that this was the saturation point of demand, it must have something else in view when it talked of a target meeting the demand in full. Can it mean the demand at the price which would take off the entire output less such quantities as may be set aside for export? Why is the Ministry of Food and Agriculture so scared of facing the problem? "Neither acceptance nor rejection" has been its policy both in regard to the present prices of sugar and the guaranteed price of sugarcane.

IN an excellent speech at the last Annual General Meeting of the Deccan Sugar and Abkhari Co. Ltd., Shri C R Srinivas, the retiring Chairman, not only neatly summed up the situation in the sugar industry and also the problems facing it, the experiences of Deccan Sugar which he related pin-pointed some of the most interesting development.

To take the latter first, the company had an expansion programme on hand, but changed expectations regarding the future of sugar prices and profits of sugar mills had compelled it to reconsider the situation and go slow with its expansion. In regard to the expansion of one of its factories which is expected to bring about a reduction in costs of manufacture by increasing the scale of production, the directors have decided that it would do no harm to go a little slow with the expansion scheme. The rehabilitation of one of its factories which needed rehabilitation, however, will not be held up; that will go on as scheduled. The decision to reconsider the expansion

of one of its factories has been forced by the drop in the price of sugar by about Rs 20 per tonne and all that the directors can now hope for is that prices will re-stabilise at a level which will not have serious repercussions on all sugar manufacturers. Whatever the stabilised price may be, it will inhibit further expansion. If one adds up the impact on all the producers of the prospective level of prices and profits in the industry, one can very well guess what effect it will have on the Third Plan target of the capacity in the industry.

An interesting development in the industry which is going on at the moment is reflected in the experience of the Deccan Sugar. One of its factories is switching over from bagasse as fuel to fuel oil. The cost of this switch over as also that of the oil fuel would be borne by Seshasayee Paper and Boards Limited, who have entered into an agreement for supplying the factory with two oil fired boilers and the oil fuel to burn in them. In return they will take up all the bagasse produced in the factory for the manufacture of paper. No capital expenditure will be incurred by Deccan Sugar and in exchange for bagasse, they will get oil fuel. The oil fired boilers, it is expected, will improve the working conditions by providing a constant steam pressure and will thus bring down costs a little. In the interest of the industrial development of the country, as Shri Srinivasan rightly says, this is a welcome step. But Seshasayee Paper have yet to receive the import licence for the two boilers.

Despite the 10 per cent cut that the Government has announced, subject to various exemptions, Shri Srinivasan estimates the production of very nearly 30 lakh tonnes of Sugar during the current year. This will mean that apart from the normal stocks of 5 lakh tons the industry will be burdened with an extra 6.8 lakh tons surplus, assuming the current rates of consumption are maintained. And how are the sugar factories to effect the proposed cut without putting the cane growers into serious difficulties? If more cane is diverted to gur or khandasari, less will be the take-off of sugar unless prices are further reduced. Shri C R Srinivasan suggests that the simplest way of easing the pro-

blems of the industry would be to 'adjust the cane price by an emphasis on payment for quality'. The latter, however, still awaits the development of a simple and fool-proof process for estimating the sucrose content of sugarcane, but there is no such difficulty in fixing a floor price which will cover the growers' expenses so that the balance may be paid on the basis of quality. As long as cane is paid for by weight, irrespective of its sucrose content, he feared that India would be priced out of the export market. There can scarcely be two opinions on the subject.

Going back to the target for the Third Plan, what Shri Srinivasan suggests is very largely what is bound to follow, whatever the decision the Government may reach on this question viz, cancellation of

the licences for additional capacity already granted, but for which no effective steps have yet been taken. There may be difficulty in the way of canceling the licences already granted, but is it likely that the licensees will proceed to set up factories which have little chance of operating profitably?

Finally, the demand for sugar in the country must be stimulated to take off surplus production. That excise duty on sugar was imposed in 1957 in order to restrict consumption and free sugar for export appears today as an irony of fate. True enough, the Government cannot afford to lose revenue but surely fiscal measures are no longer necessary to restrict the consumption of sugar in a situation of glut which again has been brought about by deliberate policy and planning?

Finance for Agricultural Development

THE proposed Development Corporation for Agriculture is expected to play a considerably wider role vis-a-vis the State Co-operative Banks and the Central Land Mortgage Banks in the different States than the Refinance Corporation does vis-a-vis commercial banks. At present the land mortgage banks, which finance their loans by floating debentures on the security of mortgages collected earlier, can finance only such long-term projects of individual cultivators for which the latter are in a position to commence repayments within a year of obtaining the loans. This, therefore, rules out the financing of projects which start to yield some return only after the lapse of a number of years.

Also, it has been felt for some time both by the Reserve Bank as well as the Government of India and the co-operative movement that the resources which the Reserve Bank has for making long-term and medium-term loans out of its Long-Term Operations Fund are far too inadequate to meet even the most rigorously rationed demands on this Fund. Despite the recommendation of the Committee on Co-operative Credit (Mehta Committee) to raise the annual allocations to this Fund to Rs 15 crores, the Government of India in the Ministry of Finance seems to have agreed to a contribution of only Rs 10

crores out of the Bank's profits during 1960-61. Under its statute, the Reserve Bank cannot borrow from any outside agency. On the other hand, there are substantial funds lying unused with the Government of India which are part of the P L 480 funds of the U S Government. Having reached thus far, the obvious last step was to set up the Corporation which would be able to supplement its share capital — contributed by the Reserve Bank, State Co-operative Banks and the Co-operative and Mortgage Banks — with funds, while the Agricultural Credit Department of the Reserve Bank could be left to take care of its day-to-day operations.

The scope for increasing agricultural production, by long-term investments in reclaiming land or developing plantations, which take time to mature, is often very much under-estimated. But even after the Reserve Bank gives all the help that it is able to, the preparation of detailed business propositions — the blue prints — has to be done by the State Governments themselves, for which a number of departments would have to collaborate very closely. It is here, unfortunately, that bottlenecks may appear. Let us hope that the proposed Agricultural Development Corporation will not have to confront the same set of road-blocks.

in the Second Plan — of 12.7 million tons in terms of raw coal. This is proposed to be established by doubling the capacity of the Dugda and Bhojudih washeries (3.2 million tons), by setting up two new washeries at Kallara (3 million tons), two washeries at Karanpura (3.5 million tons) and a washery in Central Jharia (3 million tons). Of these, the washery at Central Jharia will almost certainly spill over into the Fourth Plan and even the others will go into operation only late in the Third Plan. Thus it is to be expected that the present shortage of washed coal will continue to dog the steel industry throughout the Third Plan period. The implications of such a situation for the steel expansion programme in the Third Plan are, we hope, engaging the urgent attention of the Steel Ministry.

Selective Credit Control in Reverse

SOME of the changes or innovations which the Reserve Bank have in mind are important and interesting. They merit wide attention in their own rights, quite apart from the peculiar manner of their release, whether it is a working paper for internal discussion or a directive or circular issued to the scheduled banks. The Bank has now got a special officer who bears the designation not that of Director of Public Relations, but of Director of Releases. But the manner of release, whether inadvertent or not, has so far been a familiar one of leakage to select (favoured?) papers. If the Reserve Bank wants to encourage scheduled banks to lend more to small-scale industries, the decision will be widely acclaimed. The adoption of any such policy is not likely to upset the market or precipitate a crisis on the stock-exchange; nor is it likely to help any one to make easy money by cashing in on the news. Why then this pathetic semblance of secrecy which the Reserve Bank is not even able to maintain in practice? A handsome neo-classic building is not necessarily a stamp of modernity. Central banks in other countries have found public relations worth cultivating. Even the Bank of England now brings out a quarterly bulletin. Why can't the Reserve

Bank circulars to the scheduled banks be released to the press in a straight-forward manner in order that they may get the attention they deserve?

It is the Reserve Bank which is the loser in letting its policy decisions be messed up by the wrong kind of publicity.

The proposed liberalisation of bank credit for small-scale industries will enable the scheduled banks to borrow at the Bank Rate to the extent of the excess of such credit extended by the scheduled banks for the first half of the year over that of the previous year, provided that the excess is Rs 1 lakh or over. This facility will be extended during the first half of the next year at the end of which the position will be reviewed. This heralds a change from the previous policy of selective credit control which was negative and did not work, to a positive one by relaxing credit to the extent such credit is made available to the scheduled banks at the Bank Rate at a time when they can borrow only at a higher rate. A beginning will be made with the credits extended by the banks to small-scale industries.

The necessity for liberalising credit to small-scale industries was indicated by the results of a special survey which the Reserve Bank conducted some time ago. Apart from the benefit which the banks may derive in future from it, the measure will complement others in the same direction which the Reserve

Bank has already initiated, such as the scheme of guarantee for loans made by banks to small-scale industries and the liberalisation of credit by the State Bank of India to small-scale industries.

While the guarantee scheme helped to overcome the reluctance of banks to advance credit to small-scale industries by reducing or eliminating the risk involved in such operations, the present measure should strengthen the ability of the banks to lend more to the small-scale sector. It will certainly reduce the cost of such loans to the banks to an appreciable extent though it may not immediately reduce the cost of bank advances to small-scale industries.

Perhaps the real significance of the new measures will be found in the new dimension which it adds to the standard instrument of credit control viz, the Bank Rate. When the banks have already borrowed from the Reserve Bank in excess of their quota, which is the normal situation in the busy season, the Bank Rate in future could also act as an instrument of selective credit expansion. In a way, the selectivity thus imparted to an essentially quantitative weapon can be compared with the operation of the variable liquid assets ratio which discriminates between different types of assets as in many of the Latin American countries. It is in this wider sense that the monetary authorities have introduced an innovation.

Off the Record

IT is difficult to place D P, how difficult, it would be apparent when one looks at his obituary in any of the Calcutta papers and, say the *National Herald* of Lucknow. Calcutta papers dwelt upon his literary career tracing it from his first appearance before the public as one of the distinguished members of the very distinguished group of litterateurs behind *Sabuj Patra*, of which Rabindranath was one. *Sabuj Patra* literally means Green Periodical. It had a green cover and green was its emblem, green which stood for everything that was fresh, unripe and growing. It brought the breath of spring that changed the whole complexion of Bengali literature and blew off all that was decadent and moribund. *Sabuj Patra* established the every day speech of the cultivated Bengali as the language of literature. *Sabuj Patra* also brought the ferment of new thought; this was a little different from the earlier wave which had swept Bengal during the Swadeshi days. It let in the new air that was blowing in Europe, and not in England alone.

That was Dhurjati Prasad's first appearance in Bengali literature, as also in music criticism and musicology. He never left either. They remained his love till the last; a volume of belles-lettres in Bengali and 'Music Memories' in English were in the press when D P passed away.

The notices in the Calcutta papers did mention his contributions in other fields, listed his books in English: 'Personality', 'Basic Concepts of Sociology', 'Modern Indian Culture', and so on; and also, rather casually, that for 32 years he taught in the Lucknow University and that it was only two years ago that he retired from the Chair in Economics and Sociology at the University of Aligarh.

The *National Herald*, Lucknow, on the other hand, merely mentioned his contributions in the field of art and literature, but stressed

D P Mukerji

mainly his impact on the intellectual life of the Province, of his influence on a whole generation of University students, and his association with the Congress Government of U P, as Director of Public Relations, for a brief while from 1938 to 1940 and again, as Honorary Economic Adviser, in 1959-60.

What a range of interests D P had! In the realm of thought there was nothing that did not interest him. And when he got interested in anything, he threw himself into it and wrote up whatever he had to say in order to get the subject off his chest. His intellect was incessantly active and knew no rest; he wrote just as easily as he spoke, and with the same style, elegance and sharpness. A scholar who dabbled in so many things, who secretly confessed to a weakness for poetry, and even modern poetry, and delighted in reading poems aloud and read very well too, who was passionately fond of music and got as much pleasure from following the subtle nuances of Indian classical music, noting unerringly where a *dhaivat* had been slurred over, or just touched upon, to meet the exacting requirements of correctly rendering of a particular *raga* or *ragini*, as he did from wrestling with a new guess on the nature of reality or from an abstract theorem of neo-economics.

There was another aspect of his life — his friends. His responsiveness to intellectual stimulus made his friendships an important element in the intellectual life of Bengal, if not of India — what a group of friends they were — Satyen Bose, Dilip Roy, Pramatha Chaudhuri, Sudhin Dutt, Meghnad Saha, J. C. Ghosh. P C Mahalanobis!

From his pen flowed a continuous stream of literary outpourings, essays, short stories, intellectual novels, belles-lettres, memoirs in the style of Andre Gide. A rare connoisseur of music and its literary exponent, co-author of a book on the subject with Rabindranath

Tagore, who also won high academic distinction and held many academic positions in India and abroad, and was the Vice-President of the International Sociological Association at the time of his death, — some not ununderstandably took him to be an intellectual dilettante. But what a dilettante! A dilettante with the cultural accomplishment, wit and charm of old Lucknow aristocracy, and with the razor-sharp intellect of his breed, the Brahmins of Bhatpara. There was a rare elegance and style in D P, in the way he dressed, put across a point, or split a hair in the tradition of the Navya Nyaya. Withal his mind was free, and he was equally at home and in his elements, as much in table-talk as scholarly discourse in international conference.

In the academic field D P had moved away from sociology from which he started more and more to economics, not the economics of equilibrium and marginalism, but to the fundamentals of growth, the ground-swell of which economists miss, while toying with the waves at the surface; that's how he put it in his usual provocative manner in this paper.

But for *The Economic Weekly*, the problem of placing him was simplified by D P himself. It was D P who wrote the first editorial in the very first issue of this paper of January 1, 1949. The piece he had first thought of as a kind of manifesto for *The Economic Weekly*, the appearance of which excited him no end. The title of it, 'Light without Heat' pleased him too, much to the relief of the editor who had feared that he might find the title too tame. His last piece, 'Language and Unity', written when his health was completely broken, appeared in the issue of April 8, this year. The last did not have the positive note of the first, though it did not lack its sharpness. Despite prolonged illness, his mind was still alert. In his last days, he saw through chinks in the armour of Indian integration. As a sociologist and philosopher, he

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could not allow his voice to be drowned by pep-talk or evocation.

When the fell news came that cancer had affected his throat, he wrote to say that he had talked so much all his life that there would be poetic justice in it, should he not be able to talk any more. He was flown to Zurich and operated on. Though his wind-pipe was partially restored, he never got back his health and the last few years it was sheer will-power which seemed to have kept him alive and, in spite of ailments, kicking.

So wide was the sweep of his mind and so diverse the fields of intellectual activity that he had traversed that it is not possible to pack him within a couple of columns. The assessment of Dhurjati Prasad as a litterateur or that of D P as a scholar has to be left to those who are competent to undertake the job. But the job is going to be a difficult one. It was on the insistence of A K Das Gupta, the economist, that D P's address at the first Indian Sociological Conference was published in *The Economic Weekly* in violation of the safety first rule of not reproducing addresses delivered on such occasions, a rule which this paper has generally followed. It is not impossible that had D P been elected President of the Indian Economic Conference also — he just missed it because of some internal politics — and had delivered his address, M N Shrinivas, the social anthropologist, might perhaps have insisted as strongly that the address be also reproduced. This may be cited as an instance of one of the many difficulties of placing him. But those on whom he had showered his affection almost to the point of spoiling them with indulgence will remember him primarily as a great, inspiring teacher. He stimulated and encouraged all those who, he thought, had the spark in them, injected them with his enthusiasm and infused in them some of his intellectual passion.

That is perhaps how he would have liked to be remembered, if at all.



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Our Delhi Letter

Petro-Chemicals

Public versus Private Sector

NEW DELHI has been noticing the keen interest shown by private industrialists in the petro-chemical industry. Already three projects have been licensed. These are: the Rs six-crore project of the Standard Vacuum Oil Company to produce annually 100,000 tons of ethylene, propylene, butylene, butadiene, benzene, etc from naphtha from its Trombay refinery; the project of the P J B Industries in collaboration with Continental Carbon of the USA to produce annually 10,000 tons of semi-reinforced furnace black and high modulus furnace black from the natural gases of Naharkatiya; and the Rs 15-crore project of Duncan Bros in collaboration with Phillips Petroleum of the USA to manufacture 20,000 tons of Cis-4 polybutadiene annually from the natural gases of Naharkatiya.

Over a score of other proposals for setting up petro-chemical units are pending before the Government. Among them are the proposals of Alkali & Chemical Corp to produce 3,500 tons of polyethylene; National Carbon to produce polyethylene; R A Cole to produce polystyrene; Union Carbide to produce polyethylene, butyl alcohol, butyl acetate, ethyl acetate, acetic acid and benzene; and Synthetic Plastics to produce 4,000 tons of polyethylene. Recently, a famous Italian chemical firm, Montecatini, entered into agreement with four Indian parties to manufacture petro-chemicals. Entprising Gujarati industrialists are particularly eager to make a beginning in this field on the basis of the rich oil and natural gas reserves in their State.

Petro-chemical industry came into prominence in this country only recently after the prospects of the indigenous oil industry became bright. In fact, even in the most industrially-advanced countries, petro-chemicals assumed importance only in the last decade, though in the USA production of petro-chemicals began in 1930. The exceptionally rapid progress made by the industry in recent years is indicated

by the demand for three major basic petro-chemicals in the United States given in Table 1.

Table 1: Demand of Petro-Chemicals in US
(In million lbs)

Product	1955	1961 (Est)	1965 (Est)
Ethylene	3,000	6,000	7,500
Propylene	1,400	2,800	3,500
Butylene	2,550	3,700	4,000

At present there are 723 basic petro-chemical plants outside the Communist countries and 304 new plants are under construction. Why is this industry becoming so popular? The reason is that chemicals produced from petroleum fractions and natural gases (i.e. petro-chemicals) are much cheaper than chemicals produced from conventional sources like the coal-tar, wood distillation or fermentation industries. According to an American estimate, the petro-chemical industry is ten times as remunerative as the conventional chemical industry.

The Indian entrepreneur has a remarkable capacity to jump at the latest developments in modern technology and import them, particularly when it offers the prospects of easy money. And he has fallen for petro-chemicals, encouraged by the successes in the search for oil in this country. A host of applications for foreign collaboration in this field has been made to the Government. Potentially, India is a good market for the petro-chemical industry. The Third Five-Year Plan envisages consumption of 340,000 tons of 16 selected chemical intermediates by 1965-66. Of these conventional sources can produce at the most 25 per cent. At present there is no petro-chemical industry in the country. If no industry is developed in the Third Plan period imports of chemical products by 1965-66 will amount to Rs 50 crores a year, at current prices. By 1971 the position will become worse. With estimated consumption at 835,000 tons non-petro-chemical sources will be able to supply only 18 per cent and the

foreign exchange drain will be Rs 150 crores per year. This is a convincing argument for developing the petro-chemical industry as rapidly as possible.

Problem of Product Imbalance

There is another reason viz that development of the petro-chemicals will help to solve the problem or surplus of motor spirit. Surplus motor spirit can be converted into naphtha which can be cracked and made into olefines which are the 'building blocks' of petro-chemicals. The natural gas reserves in the Naharkatiya-Moran and Gujarat fields are also ideal raw material for the petro-chemical industry. The area within a radius of 15 miles of Naharkatiya is proposed to be made the nerve-centre of the gas-based industry. As many as 100 petro-chemical units and 500 ancillary units are proposed to be set up in Gujarat alone. According to a reliable estimate, a minimum of Rs 300-400 crores will go into this industry in the next ten years.

To study the question of developing the petro-chemical industry in the country and to evolve a plan for organising it during the Third and Fourth Plans, the Government of India early this year appointed an inter-departmental committee under the chairmanship of Dr G P Kane, Senior Industrial Adviser to the Ministry of Commerce and Industry. The terms of reference are, among others:

(a) to assess the types and quantities of material whose production may have to be organised in petro-chemical industries;

(b) to evolve a suitable pattern for development of the petro-chemical industry in India on the lines of the integrated pattern of production of petro-chemicals in advanced countries; and,

(c) to assess the extent to which aromatics as well as aliphatic raw materials may have to be produced as petro-chemicals during the period 1961-1971.

The Kane Committee was to submit its report within four months. But the Committee got bogged down in a controversy between the Oil Ministry and the Commerce and Industry Ministry as to who should control the industry. The Oil Ministry wanted the public sector to have a dominant position in the petro-chemical complexes producing basic chemicals, leaving end-products to the private sector. The Commerce Ministry expressed reservations regarding the financial and organisational capacity of the public sector to take up this industry. This controversy which remains unresolved to this day is holding up the Committee's report. However, the Committee is now understood to be finalising its report, leaving the public versus private sector controversy to the Cabinet to decide.

Not Ideology Alone

The Oil Ministry's case for the public sector is not entirely based on the ideology of Malaviyaji. Techno-economic considerations favour a close association between oil undertakings and the petro-chemical industry since, up to a point, operation of an oil refinery is similar to that of a petro-chemical unit. It is well known that the manufacture of petroleum chemicals involves a number of continuous physical operations such as pumping, mixing, distillation, extraction, filtration, etc. The equipment used for these operations is very similar to that in the corresponding oil processing operations. This is also borne out by the experience in the United States which is indicated in the breakdown of ownership of new US petro-chemical projects given in Table 2.

Thus more and more oil companies are going in for the production of basic petro-chemicals leaving production of end-products to chemical companies. The latest trend is that some of the giant chemical companies like ICI are going back to oil refining to strengthen their

base. Now, if in India oil companies are to enter the petro-chemical industry in a big way, the public sector will also have its place. Moreover, returns from the petro-chemical industry are proving to be increasingly important for the oil companies. For instance, petro-chemicals accounted for about 10 per cent of the total trade of the Royal Dutch-Shell Group in 1960. Therefore, in the Oil Ministry's view, it would be unwise to leave the petroleum industry to the private sector. To make it a profitable business proposition, the public sector oil industry must have the basic petro-chemical industry which is based on it.

Expert Opinion

The Oil Ministry's case has been further strengthened by the recommendations of a French expert, Dr V E Henny. Dr Henny was recently invited by the Government to advise on the petro-chemical industry. According to him, the industry should develop on an integrated basis. Thus the size of the steam-cracker should be such that the quantities of by-products produced are utilised economically. For instance, "the difference between the cost of the ethylene, if only polyethylene, liquid petroleum gas and fuels are made from the steam-cracker, and the cost of the ethylene if all products are used because the steam cracker is part of a real complex, is not far from 100 per cent". Size of the steam-cracker should be determined not on the basis of immediate needs but on that of projected future demand. If this overall approach is adhered to, there is no reason why the petro-chemical industry in this country cannot be competitive with that in other countries. There will also be no need to inflate the selling prices to attract private capital.

Dr Henny has suggested that the public sector should enter the integrated petro-chemical complex. For this, he has offered the co-operation of the Institute Francis du

Petrole (IFP) which he represents.

Besides the technical and economic questions involved in the development of the petro-chemical industry, the socio-political and financial aspects of the problem cannot be totally ignored. When the Industrial Policy Resolution was formulated, nobody in this country knew much about the petro-chemical industry. Hence, no mention of it was made in the Resolution. However, the essence of the Resolution, as the Prime Minister put it, is that the public sector should control the "commanding heights" in the economy. If this principle is to be followed, the public sector must have a share in the basic petro-chemical industry. But the public sector has heavy odds against it. Western countries are generally not enthusiastic to aid public sector industries. In this particular case when leading western companies are showing interest in collaboration with private Indian industrialists, these countries may be doubly reluctant to assist the public sector. The public sector can rely only on comparative. ly small companies like the IFP and ENI. Communist countries will also not be able to help the public sector as they are only just making a beginning in the petro-chemical industry. However, the most important thing is that time should not be lost in the public vs private sector controversy. The Government should take a decision on the proposals which are pending before it on their merits and keeping in view the need for integrated development of the petro-chemical industry.

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Capital View

Talk China, Think Goa

Romesh Thapar

(Delayed in Transmission)

JUDGING from the heated, passionate and at times hysterical debate in Parliament on the setting up of new Chinese checkpoints in the Ladakh area, it would be natural to assume that this problem consumes the attention of officials and non-officials, of politicians and the politically-conscious. Strangely enough, this is not so. More than anything, it is the liberation of Goa that infects the lobbies, the coffee houses, the railway platforms, the bazars and newspaper offices. And it looks as if we are going to talk of very little else during the coming weeks.

It is not for me to suggest that we are marching on Goa. Officialdom is to blame for the impression created. Seldom has a military 'build-up' been so clumsily and crudely fan-fared. First, the stock markets 'collapse'. Then, for no apparent reason, one train service after another is cancelled. Newspapers announce troop movements southward. Atrocities involving the Portuguese in Goa begin to hit the headlines—as if no such activities were taking place all these months. The 'secret' is the talk of the bazars. Even the gossips are denied their fun; they are reduced to speculating on the timing of 'G-Day'—whether it will be before or after Parliament adjourns at the end of this week, whether on a Sunday or a Monday, whether we will wait until December 15 when the Soviet President is among us to reassure us.

However, the phenomenon of 'thinking Goa and talking China' was not pre-planned. It is now common knowledge that certain officials, civil and military, 'leaked' exaggerated stories about Chinese penetrations to the press. Acharya Kripalani has described them as patriotic and declared that they were persuaded to do this because of their dissatisfaction with the Prime Minister's policies. The fact is that their exaggerations have helped to spark an anti-China campaign at a time when it is embarrassing to the Congress Party and the Government of India. Little can be done to neu-

tralise it because public opinion, or at least the vocal section of it is now immunised and insensitive to official explanations.

This was very clearly seen in Parliament when the Prime Minister rose to reply on December 5. The House was nowhere near full; even the diplomats were not out in their usual strength. The Prime Minister had earlier been accused of suppressing facts and pointed reference had been made to his two-year silence on Chinese road-building activities in Ladakh. Jan Sangh demonstrations notwithstanding, he proceeded to say what most informed persons expected him to. The only new facet to emerge was the Chinese charge that we have been pushing forward. On this, too, the Prime Minister is not prepared to blow the trumpets because it would mean revealing our positions to the Chinese. An old business, this border problem, but such is the reality about these snow-bound wastelands.

Goa: Theme Song

Surprisingly enough, there was no mention of Goa in the Prime Minister's reply although in the lobbies this was the theme song, particularly among Congress MPs who see its potentialities in the coming elections. (Later he did mention Goa, but rambled somewhat because South American diplomats, inspired by Galbraith, have hinted that they may be willing to intervene for a peaceful settlement. Nehru, therefore, emphasised that the Portuguese must agree to quit Goa before a peaceful settlement can be discussed. This, it is felt, is a smart move as Nehru is anxious to build up goodwill among the South American countries. They are to be his new neutral allies.) It is argued, and logically too, that if the Portuguese pimples are dealt with decisively in a short, swift campaign, India's prestige will rise again in Asia and Africa, the Congress will feel the glow of a new consolidation of national opinion, the Chinese troubles will be forgotten for some

months to come, Kripalani's dreams of defeating Krishna Menon will dissolve, stock markets will recover and Peking will have to do a double-think on Nehru's anti-colonialism, particularly when Mao is playing soft with Macao, the Portuguese pimple on his soil!

Apart from the fact that several MPs are researching into whether Goa is an island or not (for were they not misled some time ago into imagining that the McMahon Line was in Ladakh!), there is much serious cogitation about the consequences of a march into Goa. It is recalled that on the last occasion when some such move was planned, Pakistan threatened to activate the frontier in Kashmir. Will this happen again—unlikely. First, the USA is not too anxious to involve herself in this ticklish situation. Then, the Soviet-trained Afghans are mobilised on Pakistan's western border. And, climatically, this is no time to be venturesome in Kashmir.

In the United Nations Portugal's NATO allies are expected to move in protest. Fortunately, the situation there is vastly transformed. The African-Asian nations, incensed by Portuguese brutalities in the colonies, will scotch any move to censure India. True, doubts are expressed about the attitude that Britain and the USA are likely to adopt—Britain, because she is, after all, the traditional ally of Portugal, and the USA, because of certain crucial military commitments in West Europe. The more confident among the capital's observers believe that the Prime Minister has already persuaded London and Washington to keep aloof from this 'purely internal matter'—but one can never be sure.

Amateur strategists are more concerned with Chinese reactions. While, it is accepted that decisive action against the foreign pockets on our west coast will radically alter the prevailing political climate, at the moment fed on frustration and bitterness over the country's inability

Table 2 : Ownership Breakdown of New US Petro-Chemical Projects

Ownership	Projects producing basic items		Projects producing intermediates and end-products	
	1960	1961	1960	1961
Oil companies	14	20	18	12
Chemical companies	9	4	64	46
Joint enterprises	4	5	9	6

December 16, 1961

to reply effectively to Chinese aggressiveness, there is anxiety that kicking may consciously, in a calculated manner, increase tension to prove to the Asian and African peoples that India is a mere 'paper-tiger' able only to deal with 'pimpies' and not frontiers. If this were to happen, then sudden pressures would mount to force the hand of the Government of India against the Chinese outposts on our soil. However, it must be said that these fears are not shared by the men who design our relations with our neighbours.

Speaking of neighbours, it would not be out of place in the present context to state that the setting up of a Chinese checkpoint somewhere in unpatrolled Ladakh does not cause as much anxiety as the build up of a closer relations between China and the Himalayan kingdoms which, until only recently, were considered our private preserves. This idyllic situation no longer exists. Nepal is a pointer. India-Nepal relations are anything but what they should be. And this unhappy state of affairs is being neglected in the commotion about 'kicking' the Chinese out of Ladakh and isolating 'Khrushchov's man Krishna Menon'.

It may even be that the heralded march on Goa will bring various related issues into sharper perspective. Clearly, with the liberation of Goa completed, the country will for some time be in no mood to lend an ear to the detractors of the Prime Minister and those who think like him. Of course, we will not hear any more about India's peaceful ways, but at least there is a chance that one will be able to face our 'frontier problems' without a hysteria that has enveloped us.

To assist the return to sanity, it would be instructive to prepare a comprehensive report on the military, economic and social consolidation of our frontiers with China and Pakistan, the costing of such a consolidation, and the organisation required to implement it. Perhaps, this could be done by a committee of experts drawn from all parties between now and the calling of the new Parliament. Indeed, it is a task which could be entrusted to the National Integration Council now busy doing nothing.

THE ECONOMIC WEEKLY

And here is something to chew on: The Jan Sangh, stirring up pre-election wrath over the violation of our frontiers, is bemoaning the fact that Hinduism has no 'Panj Pyara' system as the Sikhs have. How

inspiring it would have been they feel, to turn Nehru into a dish-washer and shoe-shiner like Master Tara Singh to atone for his sins of omission and commission!

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THE ECONOMIC WEEKLY

Book Review

A Deccan Village Then and Now

M. C. Shetty

Resurvey of a Deccan Village: Pimple Saudagar by P D Diskalkar, The Indian Society of Agricultural Economics, Bombay, 1960. Pp xiv + 160, Price Rs 7.

THE importance of two-point surveys in a planned and developing economy like ours needs hardly any emphasis. Though they fall short of what may be termed "process studies", if the intervening period is reasonable, say, four or five years, such resurveys should be of great help in establishing casual relationships between the visible changes that have occurred and the verifiable causative factors that have been in operation during the period.

In the context of the present book, a few basic points relating to the duration of the intervening period need clarification. There can, of course, be no hard and fast rule about the length of the period, though it will be admitted that, while being long enough to admit of basic changes, it should at the same time be short enough to permit establishment of causal relationship. For example, it is easy to measure changes in the demographic sphere, in agricultural output, in the volume of credit, in the modes of marketing, in the crop pattern, in land ownership, in the size of operational holdings, in the levels of income etc over a short period of, say, five years. On the other hand, a study of say, the economic consequences of social changes like the disintegration of the joint family system or the effects of land reforms or changes in attitudes as a result of education may need to be studied over a longer period. But too long an interval, like 40 years as in the present study, does not appear to be helpful. For, the whole structure of the village is likely to undergo fundamental transformation over a very long period as has been the case with Pimple Saudagar, and the analysis, therefore, tends to be mainly of historical significance.

Another important point which needs to be mentioned here is about the shortcomings of a resurvey in highlighting changes in some of the fundamentals of the rural milieu.

Two-point surveys provide two static pictures at two different points of time. Though the changes that have occurred during this period can be seen, the process through which such changes have been brought about does not find place in the surveys. Especially in respect of such phenomena as agricultural prices, agricultural wages, crop yields etc there is need for resurveys to be supplemented by "process studies" or annual snap surveys. These are a few important limitations which need to be borne in mind while assessing the results of the present resurvey.

During the period of 40 years between the two surveys (the original survey was undertaken in 1913-16 by Dr H H Mann) Pimple Saudagar has undergone cataclysmic changes largely by improved communication facilities between the village and the neighbouring cities of Poona and Kirkee. In fact, it is the study of the response of a village—a typically Indian village with all its archaic characteristics of self-sufficiency, undiversified agricultural economy, mutually dependent barter economy—to the influence of expanding urban and industrial centres. The emerging picture is one of diluted progress in some spheres and stagnation in others.

Spheres of Dynamism

Let us identify the spheres of dynamism in the village economy. Diversification of the occupational and livelihood pattern can be regarded as by far the most important among the progressive changes. As against 78 per cent of total population who derived their livelihood from agriculture in 1915 only 36 per cent were dependent on this source in 1951. Industrial establishments at Poona employed only 121 workers in 1915 as against 353 in 1952. Services in the industrial establishments accounted for the largest proportion, or 43 per cent, of the income of the village, agri-

culture accounting for 34 per cent and dairying for 23 per cent.

The extent to which the village has moved away from agriculture for its sustenance is further evident from the results of the intensive survey of 112 sample families. According to the intensive survey, as many as 60 per cent of the families had service as one of their principal occupations and agriculture and dairying as subsidiary occupations; 65 per cent of the sample families had at least one of their members engaged in non-agricultural occupations, particularly in service and dairying. For nearly 20 per cent of the sample families, dairying was the principal and/or subsidiary occupation and 37 per cent owned milch cattle. 50 per cent of the total milk produced in the village was being sold at Poona and Kirkee. Of the 176 land holders, 46 owned agricultural implements, of whom again, 32 had all major implements and nearly 99 per cent of these had a cart. 14 families owned iron ploughs. Obviously all except the 46 families who owned agricultural implements have uneconomic holdings or are cultivators and, since to own the various implements would be economic, they hired these implements as and when necessary. Land holders for whom cultivation is subsidiary, got their land ploughed by tractors, since the cost of bullock ploughing (Rs 22.00 per acre) is higher than tractor ploughing (Rs 17.00 per acre). The *baultha* system has disappeared. The economy is monetised and the erstwhile interdependence among the villagers has given place to dependence on the neighbouring urban centres. There is a positive preference on the part of the people to go in for a stable cash income from the industrial service instead of the uncertain income from agriculture. This has led them to wear costly clothes and spend more on entertainment, etc.

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Stagnant Agriculture

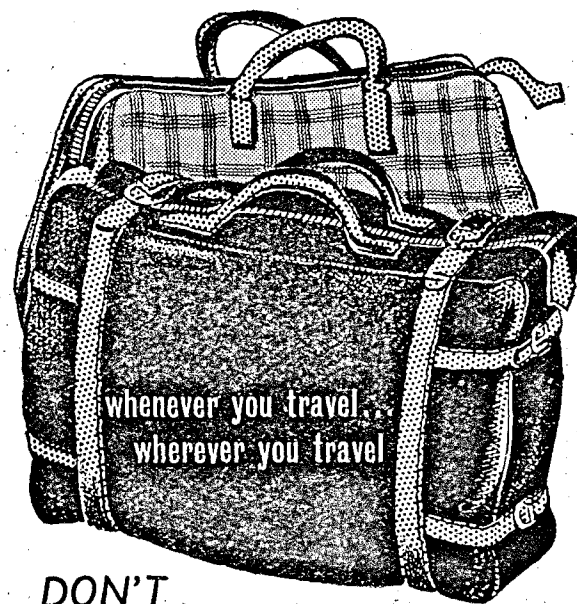
Among the stagnant aspects of the village economy, its agriculture is the most important. No doubt, as a result of the urban impact, land prices and wage levels have gone up considerably. But the process of rationalisation of agriculture, which one would expect as a result of the urban impact, is not to be found. For example, the crop pattern is unchanged, use of improved agricultural implements is insignificant and the adoption of improved agricultural practices is tardy, the use of chemical fertilisers is hardly known, 10 out of 12 wells in use in 1917 are now out of use, fragmentation and sub-division of land holding is rampant, changes in land ownership are rapid, absentee landlordism by both non-cultivating residents and non-resident owners has risen to a new peak, the size of cultivated holding has decreased.

Thus the picture of Pimple Saudagar as it emerges from the survey is not a satisfactory one. The spread effects of industrial and urban development do not seem to have imparted any buoyancy into the agricultural economy of the village. As the author points out, he divided loyalty between agriculture in the village and industrial employment in the cities has led to the neglect of the former.

In Pimple Saudagar the direct impact of the process of industrial development and urbanisation is very much in evidence. But it does not appear to have helped in the civilisation of the complementary endogenous forces within the economy of the village. Though the author's analysis is not helpful on its point, there is reason to believe that this lopsided development is the result of the absence of conscious effort on the part of the community to lift itself by its bootstraps. The lesson to be drawn from Pimple Saudagar is that the spread effect of industrial towns on outlying regions needs to be consciously regulated. More so in the present context where much stress is laid on large-scale industries as "prime impetus" projects to regenerate the rural economy. Unless the establishment of these projects is preceded by efforts to galvanise the rural community, their impact will not add to all round development of rural communities.

In spite of the limitations of two-point surveys and also of those resulting from the long interval between the two surveys, a few of which have been noted earlier, the report could have been more purposefully analytical had an attempt been made to identify and co-relate the various phenomena. It is stated in the prologue to the book that the author had paid "forty visits to the village during the years 1951 and 1953 and stayed there for about a fortnight" (italics added). Surely an aggregate stay of a fortnight

stretched over a period of nearly three years and forty visits cannot be regarded as adequate to afford the author insight into local problems, leave alone to enable him to identify and pursue problems to their origin or to co-relate them. The author had an excellent opportunity to study a village completely overrun, perhaps unawares, by the forces generated by expanding industrial and urban centres. But it is clear from the book that the author was in no mood to seize the opportunity.



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Major and Minor Irrigation Works A Preliminary Comparison of Costs and Returns

Ranjit Gupta

The need for irrigation works to free Indian agriculture from the bonds chaining it to the subsistence level has been accepted. There is, however, no such unanimity about either the effectiveness of different types of irrigation projects—major and minor—or the role that they should be assigned.

In the absence of comparative studies evaluating the merits of major and minor works quantitatively on the basis of data obtained through field surveys, views expressed in favour of either type of projects represent little more than one's personal predilections.

Yet, the die has been cast quite arbitrarily, in favour of major works of irrigation, like Bhakra-Nangal, Hirakud, Rihand, etc. The Government is unmistakably committed to multiplication of such projects, supposedly on grounds of their superiority over the other type of works.

Now that results of different types of irrigation projects are available, comparative studies are possible. Surprisingly, the need for such studies has not received much attention either from the Planning Commission or the experts outside its gamut. This indifference is the result of the assumption that major and minor works are incomparable.

In a sense, the difference in their size and in the nature of services rendered—in one case, power and irrigation and in the other irrigation only—presents some initial difficulties, chiefly, of accounting. But solution of such problems is not impossible. And once they are resolved, there should be no difficulty in comparing the two types of projects. The validity of the comparisons would then depend on the analytical tools employed and the type of data used. That both the necessary tools and data are available can be seen from the analysis presented below.

FOR purposes of this analysis, data about major works of irrigation have been obtained from the study of the Bhakra-Nangal by Dr K N Raj.¹ For minor works, comparable data have been collected through a survey of an experimental project being operated jointly by the Indian Co-operative Union and the Union Ministry of Food and Agriculture.

The project, located in an arid zone of Delhi—in a village called Sultanpore—is in operation since 1960. It is a large *kutcha* well, about 60 feet deep with a diameter of 200 feet at the top and 40 feet at the bottom and is fitted with a diesel-driven pump for lifting the water to the embankment and releasing it into the field. Normally, the rate of water discharge is about 16,000 gallons per hour with a capacity to maintain the flow for about 10 hours a day. Through a net-work of *pucca* channels, the well now provides irrigation to about 100 acres of land per crop season or 200 crop-acres a year.

The well has been dug entirely by unskilled labour. With 100 adult men working, the task can be performed in about 4-5 months. Fresh employment opportunities resulting

from such works in the villages thus range between 12,000-15,000 man-days. Judging from the experimental well, the total expenditure involved, including the cost of capital equipment and *pucca* channels, can be fixed at Rs 60,000 and the cost of operation—salary of the engine-driver, cost of fuel and depreciation and maintenance—at about Rs 5,000 a year or Rs 25 per crop-acre.

A comparative study of the Bhakra-Nangal project and the pilot well may be attempted in terms of the criteria suggested by Dr Raj for selecting between different types of investment.

Since projects like the Bhakra-Nangal would besides providing irri-

gation water, generate electricity while minor projects, like the pilot well, would not, we compare the two projects only as irrigation works.

Investment in irrigation works will be examined in terms of (i) the difference between the private and social costs of the labour employed on an investment scheme, (ii) the difference between the private and social costs of the materials used in the construction of the project, (iii) the difference between the private and social costs of depreciation, (iv) the increase in the social product attributable to the investment, whether through additional input of labour or through greater productivity of labour, and

Main Elements of Cost in Major and Minor Irrigation Works

	(As per cent of total cost)		Bhakra-Nangal*
	Pilot	Well	
1 Manpower			
(a) Unskilled	66.6		14
(b) Semi-skilled and skilled	1.0	67.6	18
2 Machinery and equipment		8.3	30.0
3 Materials			
(a) Relatively scarce (fuel, oil, bricks, cement, etc)	3.0	17.5	16
(b) Others	14.5		11
4 Miscellaneous		6.6	12.0
		100.0	100.0

* K N Raj, *Ibid*; Table 6, p 46.

** The discrepancy in the totalling, as Dr Raj explains, is due to rounding off.

(v) the social cost involved in the time factor."² The term 'social cost', as used here, refers to "the 'opportunity cost' from the social point of view incurred by the use of a scarce resource."³

Break-Down of Costs

For the purpose of our study, knowledge of the shares of major elements of costs in the total cost of different types of irrigation works is essential. (See table on previous page.) The difference in the absolute cost of the two types of units also needs to be noted. The investment in Bhakra-Nangal (for irrigation only) is enough to meet the cost of construction of nearly 2.5 lakhs experimental wells.

It will be seen from the table that expenditure on unskilled labour is about two-thirds of the total expenditure for the pilot well, and only about one-seventh for the Bhakra-Nangal. Since the machinery and equipment needed for the pilot well are of an elementary type and are produced in the country, the part of expenditure which requires foreign exchange is practically nil for such wells. For the Bhakra-Nangal, expenditure involving foreign exchange constitutes nearly "40 to 45 per cent of the total, since apart from the machinery and equipment and the foreign technical personnel required, almost all the spare parts, and also the bulk of the fuel and the lubricants necessary for the machinery, have to be imported."⁴

Again, while expenditure on internally produced materials is 17.5 per cent for the pilot well—mainly on construction of *pucca* channels—in the case of Bhakra-Nangal, it is much greater, about 26 per cent. A large part of this expenditure is on cement which has other alternative uses and is relatively scarce. In fact, so much cement is needed for Bhakra-Nangal that it necessitated the opening of a cement factory, employing about two-thousand workers, near the site of the project. The construction of the Bhakra Dam thus calls for "resources which are relatively scarce in the economy, involving by implication a higher social cost, and offers relatively limited scope for the use of man-power

which the economy has in greater abundance."⁵

It is usually assumed that when there are large reserves of unemployed labour, their utilisation in investment projects does not result in reduction in output elsewhere. Such employment, therefore, does not involve any social cost. In other words, "projects whose construction requires more labour are not more costly from the social point of view than those which require less; indeed, if the use of more labour helps to save other scarce resources in construction, the former would be preferable to the latter."⁶

Greater Use of Labour

From this point of view, projects like the pilot well offer much greater scope for the utilisation of idle man-power than projects like the Bhakra-Nangal. More than 66 per cent of the investment on the well, as compared to 14 per cent of that on the Bhakra-Nangal is on unskilled labourers. Significantly, the period during which such employment opportunities are created coincide almost exactly with that during which the Second Agricultural Labour Enquiry Committee found agricultural labour to be unemployed.

More, since the additional income generated by the investment in small projects goes to the lesser-privileged class in the rural society, the increase in consumption expenditure is on articles like food and clothing, which do not involve any draft on foreign exchange. The social cost of investment which leads to consumption involving draft on foreign exchange "must be reckoned as higher the greater the premium that needs to be placed on foreign exchange."⁷

Major works, on the other hand, require recruitment of highly-paid managerial and technical personnel. This results in an increase in the demand for articles like watches, radios, cars, refrigerators, etc which involves heavy draft on foreign exchange.

Further, since the investment on pilot well projects seeks to increase production of foodgrains in the shortest time possible, the additional demand created, in so far as it is

for food articles, can be assumed to be met from the increase in supply. The same would hold true for major irrigation projects also if the execution of such projects did not involve long gestation periods, often extending to over a decade. During this time the increase in the output of foodgrains as a result of the investment is almost negligible.

Cost of Materials and Equipment

What has been said about the social cost of employing labour holds true for the social cost of materials, machinery and equipment used for the construction of the project. The use of certain types of materials, like sand, earth, gravel, etc, which are available in abundance in the country, do not require their diversion from other uses. The only social cost involved, if any, in the use of such materials is the employment of labour for digging them up and processing them into usable forms. Since in computing the social cost of employment of labour, such works would have already been accounted for, no further adjustment is necessary.

But the social cost of materials which are scarce and have alternative uses, like cement, steel, etc, has to be regarded as "at least equal to the cost to the agency undertaking the investment, but it may be more to the extent that their use involves a draft on foreign exchange."⁸ The greater the premium placed on foreign exchange, the higher would be the social cost.

The pilot well does not involve costs since the materials needed mostly consist of bricks, clay and sand. Machinery and equipment required are also available from domestic supplies. Consequently, even though expenditure on machinery and equipment amounts to 8.3 per cent of the total expenditure, the element of social cost involved is negligible.

For major irrigation works, however, such expenditure is as much as 40 to 45 per cent of the total investment and practically all of it involves foreign exchange resources. Further, these projects, relying heavily on capital equipment, usually take much time—in planning for equipment and awaiting deliveries and as a result of breakdowns of machinery on account of which uti-

lisation of plant is often reduced to only 52 per cent.⁹ If such delays are also taken into account, the time factor goes against the use of heavy machinery.

The Time Factor

The time factor involved in the execution of irrigation works calls for the greatest consideration. For, the longer the time taken in the completion of the work, the greater the delay in the increase in production. From the stand-point of the durability of the project also, the time factor is important, since the longer the expected life of the project, the lower the rate of physical depreciation.

Evaluated on the basis of these considerations, minor irrigation works possess definite advantages over major works. Take the pilot well for instance. Under normal conditions it can be completed in about four months. Its expected life-period, as estimated by the engineers, is about 100 years. The rate of physical depreciation per annum would thus be one per cent only. Excluding the cost of the pump-engine, which is Rs 5,000, from the total cost of Rs 60,000, this would mean that the rate of depreciation would be Rs 550 per annum. Add to this the depreciation on the pump-engine—at 20 per cent per annum since its life is expected to be 5 years—and the total depreciation on the well would be Rs 1,550 per annum only, or about 2.6 per cent.

In assessing the economic consequences of the gestation period involved in each type of project, the stream of output from the project has also to be taken into consideration. Minor works, like the pilot well, are definitely superior in this respect to major works. This is substantiated by the working of the pilot well. The increase in yields per acre as a result of completion of the project and intensive agricultural development programmes was over 65 per cent. The increase in gross farm income of the farmers who participated in the project was about Rs 600 per acre. Increase in farm expenses on account of the operation of the well

⁹ "Report of the Construction Plant and Machinery Committee", Ministry of Irrigation and Power, Government of India, 1954. Chapter XV.

and the use of seeds, fertilisers and chemicals for improved cultivation, on the other hand, was about Rs 100 per acre. The net increase in farm income was, therefore, Rs 500 per acre.

This phenomenal increase in yield and incomes was, no doubt, chiefly due to the extremely low levels of yield and income prevailing in the area prior to availability of irrigation facilities. Thus before irrigation became available, the per acre gross and net farm incomes were only Rs 138 and Rs 111, respectively. This also pinpoints the importance of irrigation and the miracles that can be brought about through effective planning of minor works. The increase in farmers' incomes would, in fact, within a few years result in a surplus large enough to meet the initial cost of the project. Since, however, the rate of increase in farm income from year to year would vary and cannot be precisely ascertained, the period in which total investment would be realised can only be projected on the basis of assumed rates.

An annual rate of increase as low as 7 per cent would generate during the expected life-period of the project an additional income equivalent to the investment on it. On the other hand, if the average rate of increase is placed at 25 per cent, the total investment becomes realisable within a period as short as 10 years.

Gestation Period

For major irrigation works such information is not available. But the gestation period is too long—even on a conservative estimate, these projects take from 5 to 10 years to complete. Their long life-time—even if assumed to be over 100 years, that is, longer than that of the pilot well—hardly reduces the rate of depreciation. In fact, because of intensive use of machinery and capital equipment, the rate of depreciation tends to become much higher than in the case of minor works. This can be seen from the estimate worked out by Dr Raj for Bhakra-Nangal. It shows that "for the machinery employed on the project taken as a whole, the cost of depreciation is on the average about 25 per cent of the total cost of operating the machinery, that the share of fuel, oil, grease and waste

is another 25 per cent, of labour about 15 per cent, of repairs and spare-parts another 15 per cent, and of other miscellaneous items about 20 per centthat the depreciation of the machinery will in all amount to 75 per cent of the capital cost of the machinery."¹⁰ (italics added).

Imputation of cost to time thus makes significant changes in total social cost. Longer the gestation period, higher are the social costs. Investment schemes which involve shorter gestation period, even if less durable, and yield larger gross output are, therefore, preferable. "An even more important consideration, weighing the scales in favour of projects with less durability", as Dr Raj aptly concludes, "is that though a project which is less durable may have a higher rate of physical depreciation; the amortisation quotas of the early years may not actually be required for replacement. These quotas, therefore, represent further investible surplus during the period, and the increase in output accruing from the investment of this surplus may more than cover the resources required for the replacement of the depreciated capital stock at a later stage. This means that, even if the net output of the two schemes is the same after allowing for the different rates of depreciation, there might be a case for preferring the scheme with the larger gross output, i.e., the one with the shorter life."¹¹

It is not our purpose to reject major works of irrigation completely. Certainly, they have a role to play—in areas where, due to paucity of sub-soil water reserves, irrigation facilities cannot be made available by any means except through a network of canals. But where sub-soil water reserves are available, planners must recognise the fact that major works are not only a waste of resources and energy but definitely detrimental to the country's progress. Essentially it is a question of striking a balance—of appreciating the merits of the two types of irrigation works and letting each play its role. The official approach lacks this touch of realism. It is blurred by its eagerness to do things in a big way.

² K N Raj, *Ibid*; pp 7-8.

³ K N Raj, *Ibid*; p 17.

⁴ K N Raj, *Ibid*; p 46.

⁵ K N Raj, *Ibid*; p 46.

⁶ K N Raj, *Ibid*; p 17.

⁷ K N Raj, *Ibid*; p 20.

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Elections in Madras State

K R Rajagopalan

Few factual and unbiased studies have been made of elections in India. Even fewer attempts have been made to compare the results of successive elections with a view to indicating the trend of public opinion.

The number of votes polled by a party is, of course, a simple indicator of the following that the party has among the people. But the techniques of assessing the relative strength of different parties need to be properly studied.

The methods used for studying elections in the West are not fully applicable in India. In the western countries there is usually a well-established two-party system. In India, on the other hand, there are a large number of parties contesting the elections, besides many independents. Different methods must therefore be used in studying Indian elections.

THE necessary data for a detailed study of elections in India are difficult to obtain. The Election Commission of the Government of India has issued voluminous reports on the two General Elections in 1952 and 1957, giving details of the distribution of votes, etc. It also issues periodical reports on bye-elections. But so far as I know, it has not published the results of the two mid-term elections in Kerala. Besides, the reports being compiled on an all-India basis, details of the locally strong parties do not find a mention in them. Only details about the recognised all-India parties are available. Voting figures for any particular State are hard to get, unless one goes through the local newspapers of the time of the General Elections. Hence, there is a need for the States themselves to compile election results and make them easily available to research workers. Madras State has published such reports on both the 1952 and 1957 elections and the other States may do well to follow this example.

The analysis presented here is based on the above-mentioned reports and other available material. In the elections of 1952 the then Madras State included portions of the present Andhra, Kerala and Mysore States. Hence, for purposes of this study, only the Tamil districts of the State would be considered and comparison will be made between the results of the 1952 and 1957 elections in these districts. The analysis is carried further by presenting details of bye-elections after 1957 up to February 1961. It is also by analysing municipal elections all over the State and the election to the Madras City Corporation in 1959.

The 1952 Assembly had 190 members from the 12 districts and the 1957 Assembly 205 members from these districts and the newly-added district of Kanyakumari. Hence, comparisons can be taken to be fairly valid.

Contestants and Votes

In 1952 there were 871 candidates contesting 189 seats (1 seat was uncontested), or 4.6 candidates per seat. In 1952 three seats were uncontested and there were 787 contenders for the 202 seats, or 3.9 per seat. There has been thus a slight reduction in the number of candidates. The reduction in the number of candidates belonging to minor parties and independents has been more significant — from 451 in 1952 to 339 in 1957.

For purposes of presentation, the parties are grouped as under: (i) the Communist Party; (ii) the Congress; (iii) the Dissidents from the Congress; (iv) the Dravida Munnetra Kazhagam or D M K; and (v) the Socialist Group. The third group consists of Congressmen who formed eve-of-election parties and opposed the candidates set up by the Congress. In 1952 there were two such groups, the Tamilnad Toilers' Party and the Commonwealth Party and in 1957 one — the Congress Reforms Committee. (This party later formed itself into an

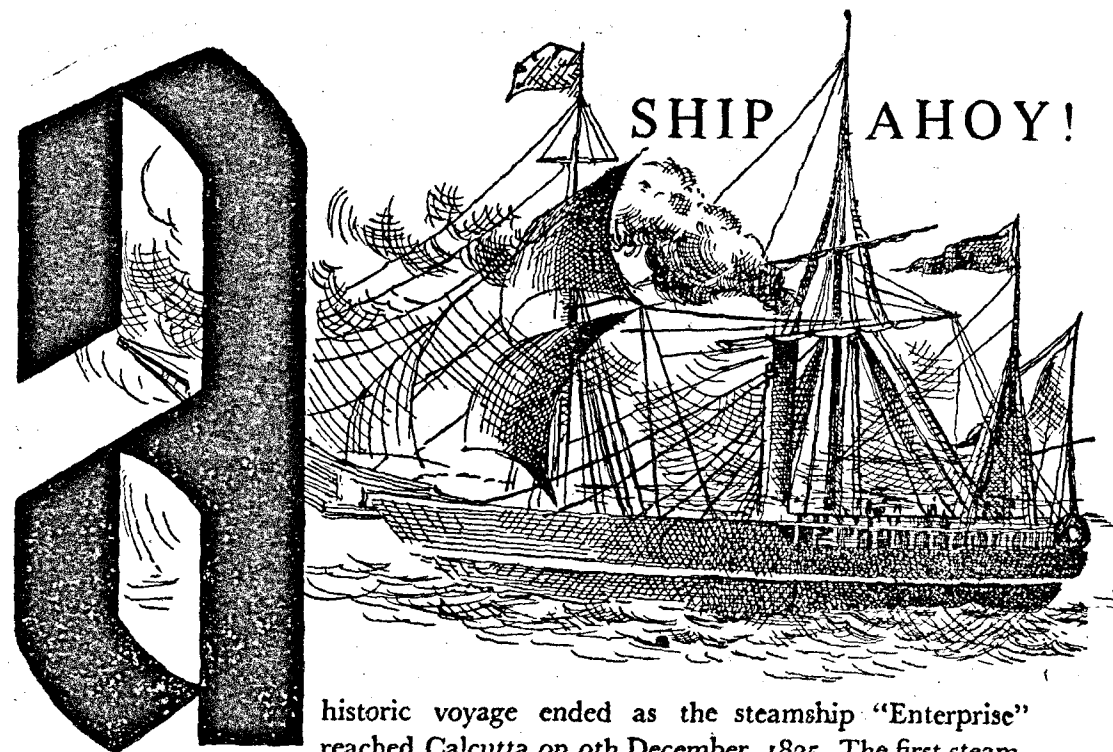
all-India party under the name of Indian National Democratic Congress, but, of late, many of its members have joined the newly-formed Swatantra Party). The DMK came into being as an organisation some nine years ago, but it emerged as a political party only in the 1957 elections and so comparisons cannot be made in its case. Details regarding the DMK are presented only for the sake of completeness. (The DMK stands for the formation of an Independent Dravida Nad, comprising the present Mysore, Kerala, Andhra and Madras States, but it appears to have little backing or support outside Madras State). The Socialist Group included the Socialist Party and the K M P Party in the 1952 elections and the Socialist and Praja Socialist Parties in the 1957 elections. Table 1 gives details of votes secured by the parties in the two elections.

The Communist Party contested about the same number of seats in both the elections and its per capita vote also remained nearly the same, indicating the number of staunch supporters of the Party. The Congress has increased both its total and per capita votes. Thus there appears to be an appreciable shift in favour of the Congress which is also reflected in the distribution of

Table 1: Total and 'Per Capita' Votes Polled by the Parties

	1952		1957	
	Total votes	Per capita votes	Total votes	Per capita votes
Communist	841,997 (52)	16,192	905,921 (55)	16,472
Congress	3,940,332 (185)	21,299	5,040,587 (201)	25,078
Dissidents	1,066,934 (47)	22,701	955,168 (50)	19,103
D M K	—	—	1,628,598 (112)	14,541
Socialists	967,103 (136)	7,111	418,911 (30)	13,964

Note: The figure in brackets indicates the number of candidates contesting.



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seats in the Assembly — it was 96 strong in a House of 190 in 1952 but was 148 strong in a House of 205 in 1957. The figures for the Dissident group also remain almost unchanged, but the average for 1952 is slightly higher — perhaps this group had then set up candidates wisely, only in constituencies where it had definite support. The total votes polled by the Socialist Parties have no doubt decreased to less than half those in 1952, but this alone should not be taken to indicate a shift away from the socialist ideology. For, the per capita figure has increased considerably in 1957. The inflated figure of 10 lakh votes in 1952 was because the number of candidates set up was very large. In 90 per cent cases the party candidates were overwhelmingly defeated. In an infant democracy like ours, where the majority of the voters is illiterate and politically not conscious and discriminating, such a state of affairs is bound to continue. There will always be a few hundred or thousand votes for any candidate whose name appears on the list! There has been only one instance, to my knowledge, of a candidate securing zero vote. That was in Pondicherry in 1959.) Lastly, the new party, the DMK, has also polled a large number of votes, 16 lakhs, but its average is very low. The party, just like the Socialist group in 1952, set up candidates indiscriminately in almost all places and has been defeated in a large number of constituencies.

The Congress increased its strength in the Legislature from 50.8 per cent to 73.3 per cent. For all other groups, the strength in 1957 is much less than in 1952. The medley group of "minor parties and independents" had 23.9 per cent of the seats in 1952 but only 8.4 per cent in 1957. The Congress thus emerged as the strongest party in the State.

Margin of Victory

Whether a party (or a candidate) has overwhelming backing in a particular constituency can be ascertained by finding out whether the winning candidate there polled more votes than the combined votes of all his opponents. In such a case, the win would be characterised as a win by majority. That candidate would have won, even if all his opponents had formed an alliance

and contested. When the winning candidate does not get such a majority, his victory is by split of votes. Such winners would lose if there is an alliance or agreement among opposing candidates. Table 2 gives details of wins by majority and by split of votes for the different parties in 1952 and 1957.

The Congress, which in the first election had won 70 per cent of its seats by split of votes, has in the second won more than 50 per cent by majority. Thus its strength appears to have increased. The only other group which has impressive figures is the Dissidents group. Even in 1952 this group had the highest percentage of outright wins. The Socialists, though they have a high figure for majority wins, have only four members in the Legislature; the same is the case with the Communist Party. The D M K has a low figure of majority wins. Thus the real opposition to the Congress appears to come from the Dissidents group and not from any of the other parties.

The last two columns of Table 2 give details of candidates who lost their deposits. Such candidates can definitely be said to be of not much political consequence in their constituencies. The Congress had no deposit-losers in either year and the Dissidents group few. The figures for all other parties are fairly high — all of them losing deposits in nearly 1/3 of their fights. The percentage of deposit-losers has increased in the case of the Communist Party, perhaps indicating the waning of its influence.

Another method of assessing the support for a party may now be presented. The total number of votes secured by a party will not

necessarily indicate its popularity. It may only mean that it had in the field a large number of candidates. Thus the Socialist group had in all 136 contestants in 1952 (next only to the Congress) and so was able to poll 9 lakh votes; in 1957 this was repeated by the DMK with 112 candidates and 16 lakh votes. In a system of elections as ours, it is not the number of votes that is the criterion but the number of seats that a party is able to win. (If elections were held under the proportional representation system, then the number of votes would become more important). So we must have a different method of indicating the relative strength of the parties. In any constituency the candidate who polls the largest number of votes wins. But if a candidate has a good following, he must be able to poll a fairly large number of votes irrespective of whether he wins or loses. (In more advanced countries elections are decided more by a small 'swing' in favour of a party than by the number of its staunch supporters). By and large, if we find the average number of votes polled by the successful candidates and the unsuccessful ones, these two averages should not be very far apart, if the party is a well-organised one with public support. Otherwise, the successful candidates will have a high average and the unsuccessful ones a low average. The success of such candidates need not be because of the party but because of their personal influence. Table 3 gives the details for the different parties. The number in brackets indicates the number of successful or unsuccessful candidates on the basis of which the averages have been calculated.

Table 2 : Wins by 'Majority' and 'Split'
(As per cent of total)

	1952		1957		Deposit losers	
	Majority	Split	Majority	Split	1952	1957
Communist	35.7	64.3	25.4	74.6	23.1	32.7
Congress	30.2	69.8	51.4	48.6	0.0	0.0
Dissidents	68.0	32.0	57.1	42.9	10.6	10.0
D M K	—	—	40.0	60.0	—	35.7
Socialist	22.2	77.8	75.0	25.0	75.0	36.7

Table 3 : Average of Votes Polled by Successful and Defeated Candidates

	1952		1957	
	Successful candidates	Defeated candidates	Successful candidates	Defeated candidates
Communist	29,028 (14)	11,454 (38)	28,093 (4)	15,480 (51)
Congress	22,632 (96)	19,008 (93)	27,277 (148)	19,074 (53)
Dissidents	31,082 (25)	13,176 (22)	24,137 (14)	17,146 (36)
D M K	—	—	26,420 (15)	12,704 (97)
Socialist	20,993 (9)	6,127 (127)	27,691 (4)	11,852 (26)

For the Communist Party, the 'success' average has remained practically the same while the 'failure' average has increased. This must be because the Party set up nearly the same number of candidates and also polled nearly the same number of votes (Table 1). For the Congress, the averages are fairly close, the losers polling 19,000 votes; in 1957 the 'success' average is higher. For the Dissidents group too, the two averages are closer in 1957 than in 1952. It may be recalled that in 1952 there were two parties in this group, but only one in 1957. Thus the figures for 1957 indicate that this group is better-knit than it was previously. The D M K's figures for 1957 and the Socialist group's figures for 1952 and 1957 are almost similar, there being a large divergence between the two averages. This would indicate that the parties depend heavily on a few individuals—perhaps the main leaders.

In the Districts

In 1952 the Communists got 1/3 of the seats from the Tanjavur district, the Dissidents got 2/3 of the seats in South Arcot, nearly 1/2 in North Arcot and a good number from Tiruchi. The Socialist group secured 25 per cent of seats from the City and about half of the seats from the Chingleput district. The Congress had a clear majority in Ramnad, Tirunelveli, Madurai and Coimbatore districts. In the remaining district of Salem, the Congress gained 9 out of 21 seats, the Independents too claiming an equal number. But in 1957 the Congress secured a clear majority in all districts (including the newly-added Kanyakumari district), except South Arcot and Ramnad. In Ramnad the Congress has secured 7 out of 14 seats, the Dissidents 4 and others 3. In South Arcot 4 seats each have been won by the D M K and the Dissidents, and the Congress has bagged 9 out of 19 seats. Thus the Congress is strong in all districts, though it appears to have lost its hold to some extent in Ramnad district. The Communists have lost their hold in Tanjavur district while the Socialists have lost in Chingleput. In South Arcot there appears to be a strong following of the Dissidents group.

We next attempt a comparison of the legislators in the two Assemblies. The aspects considered are:

sex, age, educational attainment and social and occupational status.

The Legislators

In 1952 there was only one woman legislator while in 1957 there were 12 elected—one DMK, the rest Congress. Out of the 12, as many as ten won only by split of votes. The age distribution of legislators is given in Table 4. There appears to be a slight increase in age, the average age being 31.6 years in 1952 and 32.8 years in 1957. The difference not being significant, further analysis is not attempted. If it is remembered that many of the legislators of 1952 were re-elected in 1957 the increase in the average age would be explained.

The educational attainments of the legislators are classified as: 'only literates', 'school or high school education', 'graduates' and 'post-graduates'. The 'only literates' group increased from 26.3 to 39.0 per cent; the 'school' group decreased from 46.4 to 36.1 per cent; the 'graduates' group remained almost stationary at 20 per cent, and the last group decreased from 6.8 to 4.9 per cent. Thus the 'only literates' group alone has increased its representation.

The social groups treated are three: non-Backward groups, Backward groups and Scheduled groups. The constitution provides for a twenty per cent reservation of seats for the third group. This group has almost the same percentage in both elections. While in 1952, 32 per cent of the legislators belonged to the Backward Classes group, in 1957 this percentage has gone up to 39.

The livelihood or occupational classification shows that in both

Table 4: Age of Legislators

	Age				
Year	25-34	35-44	45-54	55-64	65
1952	25.8	40.5	26.3	6.9	0.5
1957	22.5	41.0	25.4	10.2	0.9

Table 5: Occupational Distribution of Legislators
(As per cent of total)

	1952	1957	Proportion of total population
Owner cultivators and land-owners	42.6	46.8	35.0
Non-owning cultivators	2.1	4.9	9.6
Cultivating labourers	0.0	1.0	18.2
Non-cultivating owners and rent-receivers	16.3	9.3	2.2
Production other than cultivation	3.2	1.0	12.4
Commerce	6.8	2.4	6.5
Transport	4.2	2.9	1.7
Other services and miscellaneous	24.8	31.7	14.4

years about 60 per cent of the legislators belonged to the agricultural classes and 40 per cent to non-agricultural classes. Of the former, as many as 43 per cent were owners of land in 1952 and 47 per cent in 1957. In the non-agricultural sector the largest percentage was from the "other services and miscellaneous" group, the percentages being 25 and 32 in the two years. Details are given in Table 5 for all the classes. The percentage of population belonging to the various categories is also given. Land-owners and rent-receivers among the agricultural classes and the "other services" among the non-agricultural classes predominate. The sectors which are under-represented are: cultivating labourers, non-owning cultivators and those engaged in production other than cultivation.

After 1957

Between the General Elections in 1957 and the present time, there have been a number of bye-elections in the State; elections to the 53 municipalities also took place in March 1959 followed by elections to the Madras City Corporation in April 1959. The results of these are perhaps a pointer to the trend of public opinion in recent times.

There have been 8 bye-elections so far (up to February 1961). The Congress retained its seats in 5 of these; in Mudukalathur, the local FB-Marxist party retained its seat; in Tiruvadnai, the Congress wrested the seat from the Dissidents group; only in Aruppukottai (in 1959) has a Congress candidate been defeated by a member of the Dissidents group. In quite a few of these bye-elections the opposition parties had some electoral understanding to reduce splitting of votes.

Four main parties contested 1,187 seats in the municipalities: the Communist, the Congress, the Dissidents and the DMK. The percentage of seats won were: 6.3, 54.6; 5.1; 7.8, respectively. In the General Elections these percentages were: 1.9; 73.3; 6.9; 7.4. While the last two groups do not show much difference, the percentage of the Communists has considerably increased (though even after this increase, it is not very large) and the Congress figure has been reduced. It must be mentioned that the Congress did not put up candidates in many places; also, in some municipalities all the candidates contested as Independents with a view to eschew party politics from municipal affairs.

The Congress secured all the seats in Gobichettipalayam (Coimbatore district) and the lowest percentage of 9.5 was in Ambur (North Arcot). For the DMK, the largest percentage was 30.6 in Salem and Tanjavur. For the Dissidents group, it was 39.3 in Ooty. In Dindigul 34.4 per cent of the seats went to the Communists. Independents figure as the largest party in Ambur (71.5), Nagapattinam (87.5), Vaniyambadi (95.8), Chingleput (85). The Congress did not contest as a party in the above places, except in Ambur. The Congress contested elections to 45 municipalities and secured an absolute majority in 19. Nowhere has any of the other parties secured even a workable majority. The trend thus appears to be slightly against the Congress, but this does not seem to be of much significance.

Madras City was divided into 100 wards for the election to the Corporation, which was held in April 1959. The two main contending parties were the Congress and the DMK. As far as I am aware, this is the only example in Indian elections, which approaches the two-party system which prevails in U K and U S A. The Congress won 37 of the 100 seats they contested and the DMK registered wins in 45 of their 90 fights. Congress polled 33.9 per cent of the votes and the DMK 35.3 per cent. The DMK, with the support of a few other members has a working majority in the City Corporation and the Mayor and the Deputy Mayor are from this party. Even in the General Elections, out of the 10 seats from Madras City, 6 were secured

by the Congress and 3 went to the DMK. Thus the DMK is fairly strong in Madras City.

Conclusions

1 There is a tendency towards reduction in the number of candidates contesting. This is very noticeable in the case of unattached Independent candidates. Minor parties are also reducing the number of candidates.

2 The shift of public opinion has definitely been in favour of the Congress between 1952 and 1957; after 1957, the Congress appears to have lost some ground in Madras City, but in the mofussil it appears to be quite strong.

3 The influence of the Communist Party has definitely waned but the hard core of its supporters appears to be steady at about 9 lakhs. In the coming elections, by a proper choice of contests, it might increase its representation in the Legislature. The new party, viz the DMK, has a following mainly in the City and in a few districts, but the support does not seem to be enough to enable it to provide an opposition to the ruling party. The Dissidents group is perhaps capable of providing the opposition in a few districts at least—notably South Arcot and Ramnad. Thus, any party which

hopes to replace the Congress or to provide a stiff fight to it in the next elections should seek to enlist the support of this group. It is also significant that, in one of the latest bye-elections, the Congress candidate has been defeated by a Dissident rival.

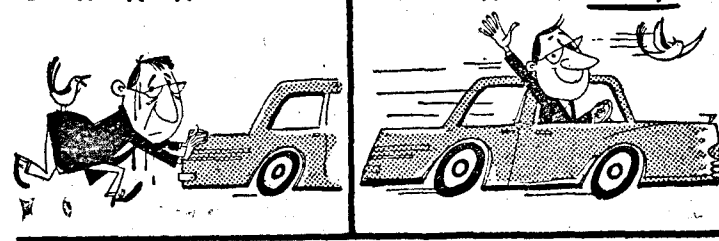
4 As regards the representation of various sections of the population in the Legislature, the following groups are under-represented: women; backward classes; cultivators and labourers, producers other than cultivators, and those engaged in transport. The proportion of Scheduled Caste legislators appears almost stationary at 20 per cent, provided in the Constitution.

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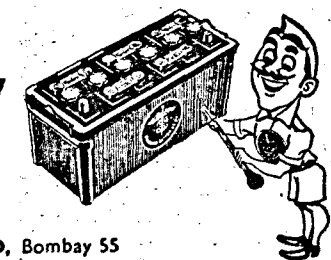
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Around Bombay Markets

Dalal Street Is Hesitant

Thursday, Morning

DALAL STREET had a rather dull time last week. Neither bulls nor bears were inclined to extend large fresh commitments because of the continued political uncertainty. With outside interest virtually absent, activity was mainly professional and mostly of a jobbing type. The market showed very little of the previous week's nervousness but there were also no indications of the return of confidence. In the preceding week on Wednesday, 6th December, Vyapar's equity share index had declined sharply from 141.36 to 137.10 and closed at 140.36. Throughout last week, the index moved well within this single day's range. Over the week, however, the index showed a net loss of 0.87 at 139.49.

Political uncertainty apart, the trading pattern last week was also moulded by settlement considerations. The high carry forward charges on Friday, 9th December, suggested that all was perhaps not well with the market's technical position in spite of the severe shake-down. An increase in carry forward charges was, however, to be expected in view of the year-end considerations and increased liquidity preference as a result of political uncertainty. If the stock market did not seek a new low point during the week it was probably because of the fear that any further fall in prices would aggravate payments difficulties. Already, it is apprehended that the settlement might not pass through very smoothly. Reports that the Life Insurance Corporation had made some purchases — A C C. Bombay Burmah, Kohinoor and Telco were freely mentioned in this connection—also imparted a steadier feeling to the market.

With the market continuing to be under the spell of political weather, it is difficult to say how equities will move in the immediate future. While the near-distant outlook is likely to be conditioned mainly by developments on the northern borders the immediate outlook for equities depends largely on Goa.

Press reports indicate the possibility of a negotiated settlement between Portugal and India. Will the transfer of the Portuguese possessions be a peaceful affair? Who can tell?

Cotton

Futures Irregular

WHILE turnover in cotton futures continued to be restricted on account of the prohibitive margin of Rs 6,000 per unit of trading, fluctuations were wide and erratic. After striking a new high of Rs 684.25 on 7th December, Jarilla March dropped to Rs 668.50 the very next day. Thereafter it moved irregularly up to Rs 680 on the 12th but declined again to Rs 671 on the 13th and Wednesday's closing rate of Rs 672.50 showed a net loss of Rs 3.50 per 3 quintals over the week. While technical considerations alone could have produced a sizable reaction, particularly when the contract had risen very close to the ceiling of Rs 693, the hasty selling which caused the sharp decline from Rs 684.25 to Rs 668.50 early in the week was attributed largely to rumours that the Forward Markets Commission would soon intervene in the market. Indeed, the Commission would seem to have shown remarkable restraint in dealing with cotton futures and this provides an interesting contrast to its attitude towards groundnut futures where it has fixed a ceiling of Rs 215 per 250 kilograms in utter disregard of the sanctity of the contract. Apart from vague fears about the Commission's intervention sentiment in cotton futures was also affected by rumours that the authorities might waive the penalty for failure to tender the goods against the maturing contract.

Spot Dull but Firm

Activity in cotton futures is unlikely to revive unless margin is reduced appreciably. But considering the remarkable strength in the spot material—all varieties are commanding huge premiums—there is little sense in restoring greater freedom to the futures market. The hedge market cannot serve any pur-

pose when the spot commodity is quoted well above the statutory ceiling. The volume of business in the spot cotton market has shrunk considerably because of the continued high premiums. Mills are stated to have covered their most pressing requirements. The Textile Commissioner's decision to restrict mill purchases of Vidarbha MP 197/3 and Khandesh Virnar 197/3 cotton to 55 per cent of their aggregate consumption of these varieties during the 1960-61 season has also had a restraining effect on activity in the spot market. Partial freezing of stocks with merchants has also induced a measure of caution. Strict enforcement of the Cotton Control Order at this stage will amount to freezing of stocks all over the country. Administrative difficulties apart, it is doubtful whether the authorities would care to enforce the Control Order because of the political risk of displeasing cotton growers in view of the forthcoming elections. The view is widely shared that cotton growers have been having a raw deal and that is why cotton production is lagging far behind the Plan targets.

December is almost half way through but no official information is yet available about mill consumption of cotton in October, let alone November. Why this unusual delay? The Textile Commissioner will be well-advised to ensure timely release of statistics relating to cotton consumption and stocks held by mills. As many as 33 mills are said to have been denied the allotment of indigenous cotton quotas due to their failure to lift their compulsory quotas of U S cotton under P L 480. It would be unfortunate if these mills were to be compelled to reduce their production for want of cotton.

Oilseeds

Slightly Subdued

OILSEEDS futures showed an irregularly lower tendency, though net losses over the week were quite small. Castorseed March which had been bid up to Rs 168.50 on 6th December were sold down

to Rs 163.87 on the 9th but improved again to Rs 168 on the 12th. After being done down to Rs 165.75 the next day the contract closed at Rs 166.25 against Rs 166.87 per 250 kgs a week ago. Linseed March gradually drifted lower from Rs 39.62 to Rs 38.81 per 50 kgs. Cottonseed January were down by Rs 3 per 250 kgs over the week at Rs 103. Dealings in groundnut futures continued to be unofficial because only on 9th December were groundnut January quoted below the ceiling rate of Rs 215 and that too for a very short time. Unofficially, the contract was traded at premiums varying from 50 nP to Rs 2 per 250 kgs.

Speculative interest continued to centre mainly round castor but fluctuations in castor futures had hardly anything to do with overseas advices in respect of castor oil. Export business in castor oil continues to be almost at a standstill. Despite preferential treatment, Indian castor oil is unable to compete with Brazilian castor oil in the U K market. This is a matter of serious concern which the Government can ill-afford to ignore because castor oil is one commodity of which India has a sizable exportable surplus. In 1960, India exported over 50,000 tons of castor oil; in 1961, the figure is unlikely to exceed 24,000 tons. If castor prices continue to be out of world parity even though it is essentially an exportable commodity, it is mainly because of the relatively higher prices of other oilseeds—groundnut and linseed. Latest reports suggest a decline in offerings of castor oil by Brazil, particularly for distant positions. This might lead to a revival of overseas demand for Indian castor oil. But not many shippers seem optimistic about putting through large business in the immediate future. Russia which had been buying sizable quantities from India over the past few years is stated to have purchased substantial quantities from Brazil this year. This might affect Russian off-take of Indian oil.

Exports

Export business continues to be restricted to groundnut extractions. But since recently business has been on the rather low side and the marked strength in overseas prices has been due essentially to the squaring-

up of previous sales, mostly November shipment. Forced covering pushed up the quotation for November shipment to £ 35-10 per ton. Near the week-end, however, afloat goods were traded at around £ 34.10. The latest quotations were mentioned around £33-5 for December, £31-17½ for January, £ 31 for February and £31-2½ for January-March. With the end of the near-squeeze position in November, export houses expect a moderate setback in overseas quotations for groundnut extractions. Prospects of selling groundnut extractions are considered to be satisfactory but this business is now being handled mostly by the manufacturers themselves. The traditional exporters are unable to compete with the producer-exporters. Hardly any business was reported in linseed cake or cottonseed cake because of the higher domestic prices and scarcity of supplies, especially of linseed cake. Exporters hinted at the possibility of business in groundnut H P S and expellers if only quotas were avail-

able. New Delhi's decision on the export quotas for these two items is anxiously awaited. It is time that the Government made up its mind because now there is little that remains to be known about the groundnut crop.

Bullion

Easier Tendency

THE bullion market has remained remarkably calm despite the disturbing political situation. The easier tendency in bullion prices in face of the adverse developments on the Goa front and northern borders has intrigued many observers. Indeed, it is hard to explain the market's unusual behaviour except in terms of the prevailing high prices of precious metals. Though gold and silver have suffered a moderate setback from their recent all-time high levels, prices are by no means low so as to attract outside public support on ideas of political uncertainty. There is a little speculation yet in the market as to how smug-

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AND POLITICAL SCIENCE

Volume XXVII, Number 4

November, 1961

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gling activity would be affected in case the Portuguese possessions were to be taken over by India, peacefully or through military action. Despite disturbing developments in the political situation, off-take of precious metals has continued to be restricted, with the result that silver

ready has eased from Rs 211.30 to Rs 209.60 over the past few days and gold ready has come down from Rs 121.75 to Rs 119.50. Silver Magsar delivery which had been quoted around Rs 212.85 on 6th December was sold down to Rs 210.10 on the 13th. Gold Magsar

eased from Rs 122.65 to Rs 120.30 between December 9 and 13. Sentiment in bullion futures near the week-end was affected by the high carry forward charges which amounted to Rs 1.20 in the case of silver and Rs 1.65 in gold. Fagun delivery being quoted at a premium.

Always pleased to steal a ride on his mother's back, the little boy smiles joyously at the world around him. And what a world of loveliness it is—of tree-clad slopes and sparkling streams, of blue skies and snowy peaks. Each step of the journey to the distant hamlet where he is accompanying his mother, is a revelation and delight.

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Company Notes

BELAPUR'S PROFIT FALLS

AN increase in the quantity of cane crushed and in the production of sugar during the year ended September 30, 1961 has not brought a corresponding rise in the profit of Belapur Company. On the contrary, the gross profit has suffered a drop of Rs 5.87 lakhs to Rs 79.76 lakhs. With an expansion in sales from Rs 2.27 crores to Rs 2.38 crores, reflecting the larger production, the profit-margin has come down from 37.7 per cent to 33.5 per cent. The decline in profit is explained by the fact that the company suffered a loss of income of over Rs. 6 lakhs on the export quota and a reduction to market rates in the valuation of the closing stocks. Besides, the company has suffered a loss of Rs 1.04 lakhs on sale of investments.

The net profit at Rs 52.30 lakhs shows a decline of only Rs 3.50 lakhs and shows an earning of Rs 39.5 per share, thus providing a cover of more than 1.5 times to the proposed dividend of Rs 25 per share, against Rs 29 per share paid for the previous year. Nevertheless, the dividend has been cut in view of the none-too-encouraging outlook for the sugar industry. The directors fear that with the enforcement of the Maharashtra Agricultural Lands (Ceilings and Holdings) Act, the profit-making capacity of the company will be affected, though they are unable to judge at this stage to what extent it will be. They are, however, certain that the profits will be substantially reduced when the company's farms are taken over. They add that unless the purchase of sugarcane is brought down to a more reasonable figure, the sugar price will continue to decline and contribute to lower profit-margins.

With the prospect of a lower profit a reduction in dividend is inevitable, but the directors do not wish to effect a drastic cut in any year. They want to bring it down gradually to a level which may be justified by the future profits. Accordingly, they have created a Dividend Equalisation Fund with an initial allocation of Rs 10 lakhs from the profit for 1960-61 and have carried forward no less than

Rs 10.30 lakhs, including Rs 2.45 lakhs being the excess provision for taxation written back, after distributing Rs 35.25 lakhs by way of dividend.

The company expects another fairly successful year during 1961-62, but the results will be affected by the Ordinance restricting output to 90 per cent of the previous year's production. The company has received permission to expand the crushing capacity of the factory to 1,200 tons of cane per day and orders for additional machinery have been placed. In view, however, of the long delivery periods, it is doubtful whether the increased capacity will be operating from the beginning of the 1962-63 season.

The company's financial position is quite sound. The reserves and surplus stand at Rs 172.37 lakhs, that is nearly 2.5 times the paid-up capital of Rs 70.50 lakhs, even after the capitalisation of as much as Rs 51.70 lakhs in earlier years. As against the current liabilities and provisions amounting to Rs 83.54 lakhs, the investments and current assets aggregate Rs 274.57 lakhs. The fixed assets of the value of Rs 165.54 lakhs have been written down to Rs 51.84 lakhs. The company's investments have been reduced from Rs 53.63 lakhs to Rs 30.74 lakhs, mainly due to the sale of Government Securities of the value (at cost) of Rs 23.88 lakhs. The outstanding investments almost wholly represent the acquisition of the controlling interest in Gangapur Sugar Mills. The company has so far lent Rs 36.90 lakhs to its subsidiary.

Blue Mountain Prune Dividend

THE substantial drop in the earnings of Blue Mountain Estates during the year ended June 30, 1961 could not have been wholly unanticipated with the crop estimates for both tea and coffee having been placed very much below the actuals for 1960-61. Along with the decline in crop and the rise in cost of production the prices realised have also been marked down. The tea production has dwindled by

about 52,000 kilos to 683,000 kilos and the coffee crop by 403,000 kilos to 584,000 kilos. The all-in cost of tea production has gone up from Rs 3.59 to Rs 3.84 per kilo, while the net price realised has declined from Rs 5.15 to Rs 4.61 per kilo. The all-in cost of coffee shows a rise from Rs 2.12 to Rs 2.96 per kilo, but the crop has been valued at Rs 2.89 against Rs 3.21 per kilo in the previous year.

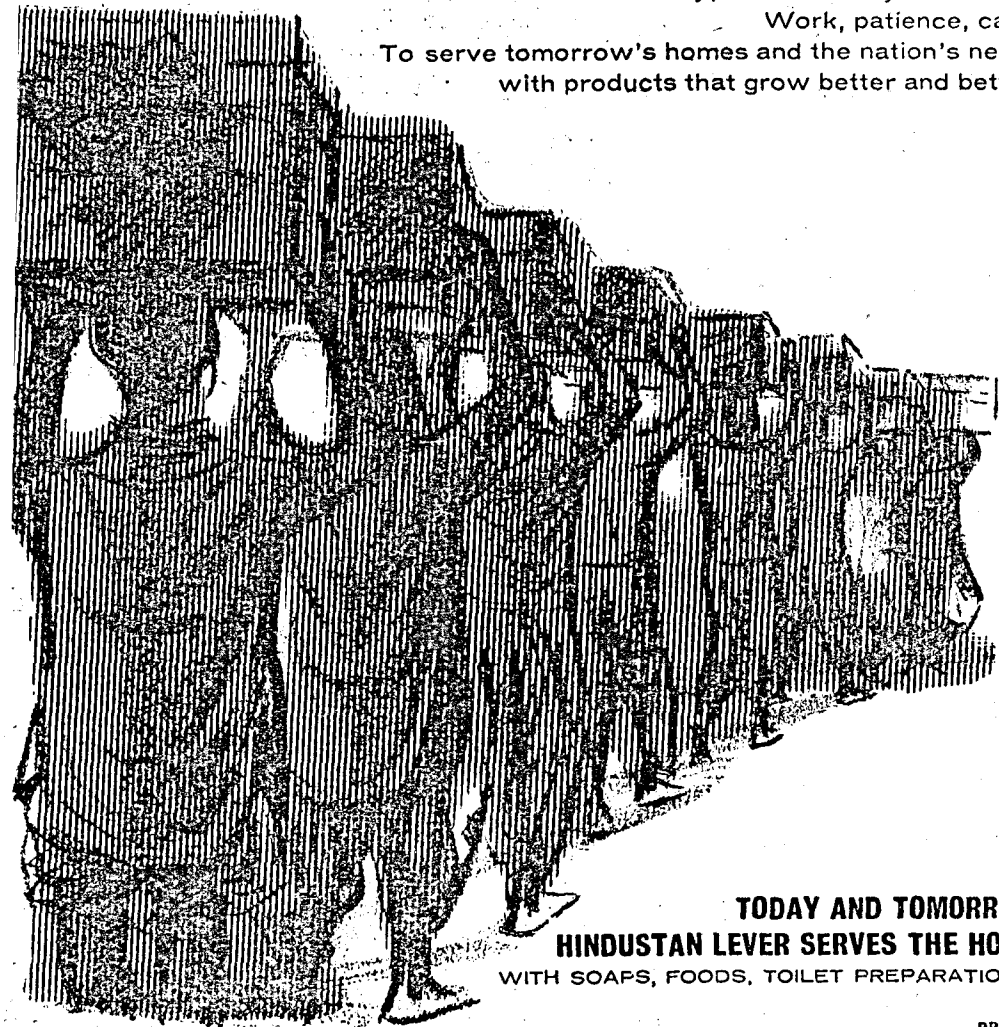
The cumulative effect of these adverse factors is the precipitous fall in gross profit from Rs 32.41 lakhs to Rs 9.14 lakhs and the net profit (after providing for managing agents' commission, depreciation and taxation) from Rs 18.20 lakhs to Rs 3.87 lakhs. With the sharp decline in earnings, the dividend has been pruned from 12.5 per cent to 10 per cent on the old shares. A proportionate distribution of 5 per cent on the bonus shares issued during the year has also been recommended. Even the lower dividend which absorbs Rs 5.77 lakhs has not been fully earned, in as much as the net profit amounts to only Rs 3.87 lakhs, out of which a small sum of Rs 14,718 has been set aside to the development rebate reserve. The large surplus of Rs 2.84 lakhs brought in from the previous year has come in handy to pay the 10 per cent dividend.

The crop estimates for the current year are placed at a slightly higher level than in the year under review to be harvested at a lower cost. While the company is going ahead with a big replanting and extension programme in view of the uncertainty about the outlook for plantation products, it has decided to diversify its activity by setting up a fertiliser factory with a capacity of 44,000 tons of superphosphate and 16,500 tons of sulphuric acid per annum. The capital outlay on the factory is estimated at Rs 46 lakhs, of which Rs 21 lakhs have already been raised by way of rights issue. The balance will be met by a sterling loan of £60,000 and a rupee loan of Rs 13.7 lakhs from banks. The factory is expected to go into production in April 1962. The results of the working of the fertiliser factory will not, therefore, be reflected in the accounts of the current year. The profits of the tea and coffee sections alone will be

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available for payment of dividend for 1961-62.

Kirloskar Electric's Results Impressive

THE results of Kirloskar Electric for the year ended June 30, 1961 are very impressive. Following an expansion in turnover from Rs 1.84 crores to Rs 2.81 crores, the gross profit has jumped from Rs 24.74 lakhs to Rs 40.49 lakhs, raising the profit-margin from 13.5 per cent to 14.5 per cent. The net profit has risen from Rs 8.64 lakhs to Rs 16.88 lakhs after providing Rs 3.37 lakhs, against Rs 1.92 lakhs, for managing agents' remuneration and raising the provision for depreciation from Rs 5.98 lakhs to Rs 7.36 lakhs and that for taxation from Rs 7.20 lakhs to Rs 12.88 lakhs.

The dividend has been raised from 9 per cent to 11 per cent, subject to tax, after supplementing the reserves by as much as Rs 12.08 lakhs, on top of the addition of Rs 5.72 lakhs made last year. The enhanced dividend absorbs Rs 4.81 lakhs, against Rs 3.93 lakhs for 1959-60. Together with the depreciation provided, the total amount retained in business comes to Rs 19.44 lakhs or 48 per cent of the gross profit.

The outlook for the current year does not seem to be as encouraging as for the year under review. While the company is making every effort to maintain sales, it is obliged to accept orders for transformers at prices which offer little margin. Further, there has been a noticeable decline in orders for motors. On top of these, the supply position in respect of essential raw materials continues to give cause for anxiety. The company's agreement with Brush Electrical Engineering for technical collaboration expired on July 26, 1961, but a fresh agreement has been negotiated, subject to the approval of the Government.

The company's paid-up capital of Rs 42.72 lakhs is supplemented by reserves and surplus of Rs 34.35 lakhs. The gross of block of the value of Rs 111.74 lakhs, including the addition of Rs 16.25 lakhs made during the year, has been written down to Rs 61.78 lakhs.

At the current market value of Rs 16.50 c.d., the Rs 10 paid-up shares offer a tax-free yield of 4.9 per cent.



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CURRENT STATISTICS

BANKING RETURNS (Rs crores)				
Reserve Bank	Dec 8	Dec 1	Nov 10	Dec 9 '60
1 Note circulation	1947.89	1908.42	1946.53	1862.72
2 Rupee coin	121.81	124.34	121.92	127.06
3 Deposits		293.95	300.18	247.37
(a) Central Govt	53.76	53.42	65.40	50.83
(b) Other Govts	10.19	15.34	10.22	13.24
(c) Banks	74.33	78.16	77.65	93.22
(d) Others	147.14	147.03	146.90	90.07
4 Foreign securities	116.86	116.86	116.86	128.01
5 Balance abroad	29.93	28.82	25.74	24.61
6 Rupee securities	1603.83	1558.84	1608.84	1502.06
7 Investments	179.63	214.63	150.99	193.86
8 Loans and advances to Govts	72.10	66.17	65.85	40.40
9 Other loans and advances	132.36	131.03	154.70	124.62
Scheduled Banks	Dec 1	Nov 24	Nov 3	Dec 2 '60
1 Aggregate liabilities	1888.10	1887.35	1882.79	1828.08
2 Aggregate deposits (net)	1811.92	1810.09	1804.87	1762.07
Demand (net)	724.29	724.98	725.02	679.82
Time (net)	1087.63	1085.12	1079.85	1082.25
3 Cash in hand	46.49	48.87	50.83	44.74
4 Balance with Reserve Bank	75.26	79.81	73.37	87.38
5 (3) + (4) as % of (1)	6.45	6.82	6.60	7.23
6 Borrowings from Reserve Bank	3.23	2.32	16.52	20.08
(a) Against usance bills and/or promissory notes	0.20	0.25	7.77	4.06
(b) Others	3.03	2.07	8.76	16.02
7 Advances	1036.62	1031.13	1043.13	957.76
(a) State bank	227.65	225.10	227.33	198.36
(b) Others	808.97	806.03	815.80	759.40
8 Bills discounted				
(a) Inland	144.81	142.86	138.21	106.74
(b) Foreign	48.41	48.74	47.63	47.29
(c) Total	191.22	191.60	185.84	154.03
(i) State Bank	16.18	15.79	13.09	15.60
(ii) Others	175.04	175.81	172.75	138.43
9 (7) + (8c) as % of (1)	65.03	64.79	65.27	60.82
10 Investments in Govt securities	624.49	618.68	630.73	685.73
(a) State Bank	266.34	262.14	271.44	335.49
(b) Others	358.15	356.54	359.29	350.24
11 (10) as % of (1)	33.08	32.78	33.50	37.51
Cheque clearance	226.16	211.48	244.91	220.30

Bombay Money Rates

(Per cent per annum)

(Selected Scheduled Banks other than the State Bank)	Dec 1	Nov 24	Nov 3	Dec 2 '60
Call Money from banks	3.50	3.50	4.15	3.75
Deposits:				
Seven days	3.00	3.00	3.00	2.00
Three months	—	—	—	3.50
Six months	3.75	3.75	3.75	3.49

Bombay Bullion

(Rs and nP)

	Dec 14	Dec 7	Nov 16	Dec 15 '60
Gold (per 10 grams)				
Spot	119.25	120.80	123.55	114.40
Forward	121.50	121.95	124.30	115.10
Silver (per kilogram)				
Spot	210.55	211.30	200.25	194.55
Forward	212.40	212.40	209.70	196.30

INDEX NUMBER OF WHOLESALE PRICES (Base: 1952-53 = 100)				
	WEEK	ENDED		
	18.11.61	11.11.61	21.10.61	19.11.60
Food Articles	120.6	120.6	121.3	119.6
Cereals	102.9	102.9	103.4	103.4
Pulses	92.2	92.9	91.2	93.9
Fruits & Vegetables	154.7	150.0	148.0	110.9
Milk & Ghee	117.1	119.5	117.4	112.2
Edible Oils	153.8	150.6	146.3	153.5
Fish, Eggs & Meat	137.0	134.5	133.5	123.5
Sugar & Gur	119.7	118.6	121.3	131.9
Other	167.2	169.0	182.2	174.8
Liquor & Tobacco	97.9	99.2	99.5	117.2
Tobacco	94.2	95.7	96.0	116.2
Fuel, Power, Light and Lubricants	122.1	122.0	122.0	119.8
Industrial Raw Materials	138.3	136.4	133.9	147.2
Fibres	127.6	126.2	126.9	156.9
Oil seeds	156.3	152.5	145.7	149.4
Minerals	94.8	94.8	94.8	98.2
Others	127.7	128.7	127.7	127.8
Manufactures	126.6	126.2	126.4	125.1
Intermediate Products	140.5	140.3	140.6	131.5
Finished Products	124.3	123.9	124.1	124.1
Textiles	124.5	124.0	124.9	127.9
Cotton	128.2	128.2	128.2	129.0
Jute	117.5	115.5	119.1	138.3
Woolen	123.1	123.1	123.1	110.1
Silk & Rayon	120.4	120.4	120.0	101.5
Metal Products	147.1	147.1	147.1	146.8
Chemicals	111.4	111.3	111.5	104.1
Oil cakes	149.4	147.0	144.0	142.0
Machinery & Transport equipment	116.2	116.2	116.2	112.1
Others	123.3	123.3	121.6	116.6
All Commodities	124.7	124.3	124.3	125.4

CALCUTTA TEA AUCTIONS

1961-62 1960-61

	June 1 to Oct 26	June 1 to Oct 26		
	Pack-ages	Avg Price	Pack-ages	Avg Price
	(Nos)	(Rs)	(Nos)	(Rs)
For Export				
Assam	378,209	5.54	317,631	6.48
Cachar	79,908	4.32	55,669	4.57
Darjeeling	120,896	6.91	122,411	7.19
Dooars	254,695	4.64	233,937	4.89
Teral	42,842	4.60	37,390	4.81
Tripura	13,943	4.38	9,977	4.56
Total	890,493*	5.26*	777,015	5.85
For Consumption in India				
Dusts	343,119	4.96	263,687	5.31
Assam	196,663	5.36	159,155	5.62
Cachar	31,471	4.11	20,489	4.65
Darjeeling	4,662	4.86	4,259	5.04
Dooars	100,724	4.50	73,684	4.87
Teral	7,332	4.15	4,460	4.69
Tripura	2,267	4.01	1,640	4.42
Other Grades	2,798	4.42	4,660	4.38
Assam	1,440	4.01	1,905	4.35
Cachar	134	4.18	138	4.08
Darjeeling	321	4.31	168	5.40
Dooars	347	4.17	1,412	4.15
Teral	45	4.35	15	4.22
Tripura	193	3.92	373	4.28
Green Tea	318	6.90	649	5.19

* Figures upto October 11, 1961 only.

† Exclusive of Excise Duty.

Source: Department of Commercial Intelligence and Statistics, Government of India, Calcutta.

PRODUCTION OF PETROLEUM AND PETROLEUM PRODUCTS

(Monthly Average or Calendar Months)

(Metric tons)

	Crude Petroleum	Petroleum Products						
		Light Distillates	Kerosenes	Diesels	Lubricants	Bitumen	Heavy ends	Other Products
1961 : Aug	32,315	96,692	82,697	157,975	2,412	37,037	144,033	4,912
Jul	40,036	100,160	95,857	156,188	2,425	36,517	166,298	5,123
Jun	38,620	97,223	89,192	159,839	2,095	41,911	160,869	5,095
May	39,360	102,360	93,267	148,722	2,100	44,070	174,368	5,823
Apr	29,949	83,779	94,024	141,196	1,312	28,816	177,119	4,400
Mar	35,596	114,352	96,295	154,846	1,619	44,887	171,455	5,979
Feb	35,591	54,570	73,918	117,840	2,104	32,782	170,481	4,652
Jan	39,608	71,183	47,264	84,919	2,228	34,786	81,766	5,920
1960 : Dec	40,196	97,915	79,628	146,873	2,087	40,572	120,435	6,247
Nov	38,862	89,254	83,714	140,587	2,260	36,414	123,172	5,484
Oct	40,316	10,531	79,112	131,305	1,820	34,901	147,518	5,564
Sep	38,754	75,299	76,407	146,112	1,020	30,661	147,870	5,258
Aug	32,723	90,030	82,077	139,874	1,888	35,845	151,756	4,975
Jul	34,275	97,807	78,418	126,250	1,333	33,810	149,844	5,571
Jun	38,202	78,464	75,545	123,406	2,108	33,731	139,355	5,561
May	39,334	88,840	81,866	146,703	1,686	31,041	155,457	5,523
Apr	32,572	82,564	74,821	129,311	1,670	31,942	145,862	5,240
Mar	38,974	87,522	80,896	128,744	1,736	36,552	164,379	5,518
Feb	36,126	72,280	65,431	118,521	1,917	24,948	123,767	5,272
Jan	39,007	81,831	73,350	121,913	2,072	29,360	123,771	5,398
1959	36,768	79,248	61,330	118,264	1,974	24,201	140,218	4,303
1958	35,477	82,215	53,597	99,319	1,594	18,882	137,421	4,741
1957	35,731	86,788	51,480	77,220	1,439	14,733	133,272	5,757
1956	32,006	80,353	45,468	59,270	1,439	13,716	118,031	5,927
1955	27,941	66,467	37,424	49,368	1,335	7,112	83,994	6,266
1951	22,014	4,234	4,318	3,641	1,947	339	1,439	4,826
								20,744

Source: Department of Mines and Fuel, Ministry of Steel, Mines and Fuel, Government of India.

COAL PRODUCTION AND DESPATCHES

(Monthly average or calendar months)

('000 metric tons)

	Raisings	Despatches	Stock at Pit heads*
1961 : Aug	4,369	4,415	—
July	4,160	4,166	—
Jun	4,182	3,998	5,129
May	4,599	4,182	5,375
Apr	4,540	4,173	5,423
Mar	5,524	4,308	5,567
Feb	5,225	3,896	4,808
Jan	5,137	4,191	3,886
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
July	4,123	3,702	3,556
Jun	4,208	3,749	3,578
May	4,421	3,663	3,546
Apr	4,453	3,808	3,272
Mar	4,434	3,818	3,117
Feb	4,365	3,583	3,018
Jan	4,182	3,664	2,739
1960	4,390	3,865	3,548
1959	3,892	3,513	2,729
1958	3,838	3,416	2,803
1957	3,683	3,190	3,331
1956	3,340	2,960	2,870
1955	3,236	2,729	3,685
1951	2,915	2,474	2,824

* At or about the end of each period.

Source: Coal Controller, Ministry of Steel, Mines and Fuel, Government of India.

INDUSTRIAL DISPUTES IN INDIA

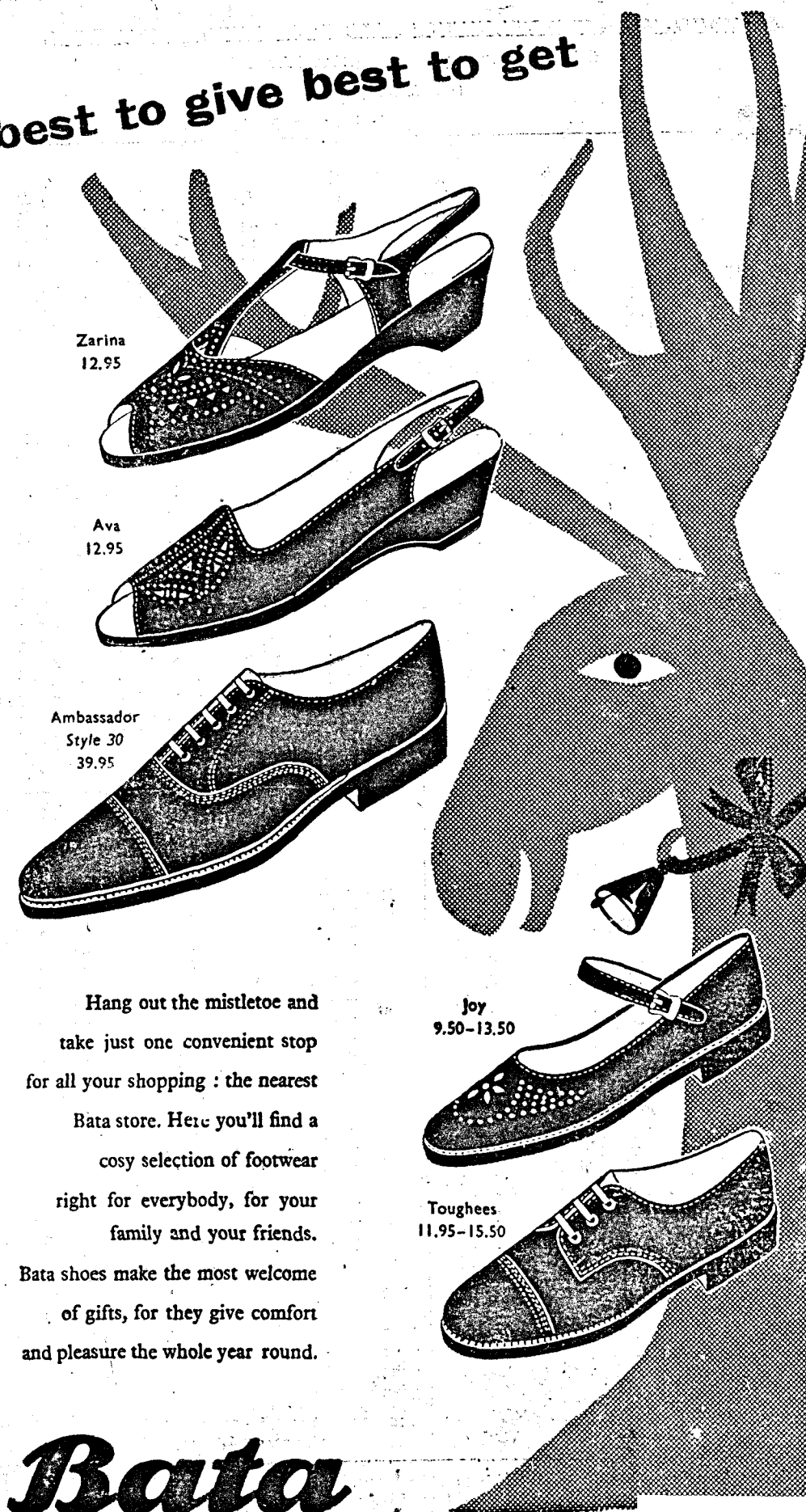
(Numbers)

	Disputes	Workers involved	Working days lost
1961 : Aug	120	31,537	202,790
Jul	117	35,155	238,773
Jun	110	30,198	221,726
May	121	31,860	385,838
Apr	150	46,966	278,044
Mar	124	40,850	279,037
Feb	88	34,342	270,295
Jan	96	34,567	205,796
1960 : Dec	95	27,363	281,413
Nov	81	21,659	210,982
Oct	86	40,484	205,419
Sep	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	47,700	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

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A Journal of Current Economic and Political Affairs

THIRTEENTH YEAR OF PUBLICATION

December 23, 1961

Volume XIII No 51 & 52

Price 50 Naye Paise

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THE ECONOMIC WEEKLY
65, Apollo Street, Fort,
Bombay.

Telephone : 253406

Annual Subscription : Rs 24
Foreign 40s or \$ 6

Common Market : Problem of Associated Territories

Integration of Goa

GOA is free. "Operation Goa", much-delayed according to some and, it is now known, postponed at least twice in the hope that diplomatic methods might yet succeed in proving to Portugal the futility of her intransigence, is over. Once under way, the Operation was carried through with a skill and efficiency — both the swift Portuguese collapse and the almost negligible casualties on either side bear testimony to this — which does the greatest credit to those responsible for planning and executing it. However, without detracting from their achievement, it must be admitted that the Portuguese were in no shape to put up a fight. Alienated from the local population and conscious of the utter hopelessness of their position, they plumped, wisely, for discretion rather than valour.

The immediate problems to be resolved for the economic integration of Goa to the motherland and to bring this area, hitherto isolated, into the mainstream of the economic life of the country would be primarily an administrative task and a formidable one. How formidable, one can guess from the decision, which is bound to be widely and bitterly resented, to maintain a customs cordon all along the border. The absorption of the Portuguese currency, hitherto in circulation, into the Indian currency system will itself raise some tricky questions. What is to be done with the Indian currency notes which had been finding their way into Goa after the Reserve Bank introduced a special type of notes for circulation in the Persian Gulf and stopped the importation of the ordinary rupee notes. The escudos, hitherto in circulation, will have to be gradually withdrawn and converted into rupees. The fiduciary issue of escudos at the end of last year amounted to 433 million, according to a report in the *Financial Times*, London, while sight deposits at the Goan banks amounted to 5.087 million. Until something is known about the assets held by the Goa banks against these liabilities, as also about the volume and realisability of the backing against currency maintained by the Bunconacional Ultramarino, the liability that the Reserve Bank will have to assume eventually cannot be assessed. On the basis of the official rate of exchange of six escudos for an Indian rupee, which has also been accepted by the Government of India, the total note issue on a very rough estimate is not likely to exceed Rs 7 to 8 crores. The Indian rupee until two months ago stood at a substantial discount in Goa, but it is possible that, in the rush to convert escudos into anything — gold, motorcars, etc or durable goods, such as watches, etc, the Indian rupee might have gone to a premium. The flight of the escudo has been quite conspicuous in the last two months.

These immediate problems of transition apart, the long run economic integration of Goa is likely to produce quite an impact on the Third Plan and may call for significant modification of the Plan. The main impact would be produced by the opening up of the port of Goa, one of the finest natural harbours in the country which had not hitherto been accessible to its mineral-rich hinterland. The area bordering Goa in Mysore State has considerable mineral resources, particularly iron ore, which has remained unexploited for lack of outlet. Our Delhi

correspondent writes: "Lying close to Goa are three major iron ore reserves — Baba Budan Range having 462 million tons ore, Chitradrug having 276 million tons ore and Bellary-Hospet having 130 million tons ore. The iron content of these ores goes as high as 68 per cent. These reserves plus reserves in Goa can take charge of quite a substantial part, if not the whole, of the export of iron ore. The transport cost of ore from pit head to port in this area will be much less than that from the Madhya Pradesh mines which are now planned to be developed for export".

Marmagao has the reputation of being one of the fastest ports. With mechanical handling, it can load a 10,000-ton-ore-carrier a day. In fact, Goa had already developed into a major exporter of iron ore, partly with the help of Japanese capital, though considerable Indian capital had also been sunk into mining in Goa before an embargo was put on such investment in 1955. Essentially a post-War development, it is in the last couple of years that Goa developed into such a major exporter of ore; its exports of iron ore last year compared very favourably

with, perhaps equalled or exceeded, the exports from India.

Japan, the principal importer of ore from Goa, had quite ambitious programmes of stepping up its imports to 6.3 million tons annually by 1965, according to the *Financial Times*. But it is not correct to say, as that paper mentions, that Japan was planning to make Goa in the next few years second in importance to Malaya as her source of ore, for Japan's commitment on the Biladila project in Madhya Pradesh provides for imports from this project alone of 4 million tons of ores in 1964 and 8 million tons in 1966.

Even from what is already known and in sight, it would be difficult to resist the demand for a steel plant either near Goa or somewhere on the west coast, in view of the advantages of such a location. The iron mines now being worked are within 30 miles of the port. Ships carrying ore for export can bring back coke for the plant and thus lay down the foundation of a steel industry the development of which will relieve the present pressure on the railways and further accelerate the industrial development in this part of the country.

Conference of Tea Producers

THE first conference of tea producers ever to be held in Shillong, to highlight the fact that Assam is India's largest producer of tea and is not to be trifled with, did not throw any clear light on the problems of the industry. Nor did it even focus attention sharply enough on any specific issues other than the perennial one of export duty and the more recent, but by now well-established, incubus of the Assam Carriage Tax and the West Bengal Entry Tax. Not that taxation does not matter. There are instances in tariff history of squashing exports being killed altogether by injudicious export tax. The history of tariffs in India perhaps supplies the best-known text book example of it, viz that of saltpetre. But it does not look as if Indian tea is going to provide another stock example of an export killed by tax. So long as India and Ceylon continue to dominate the world market in tea, the indus-

try should be able to bear a modest duty, provided India keeps in step with Ceylon. India cannot, of course, expect to gain a lead over Ceylon by adjustment of export duty.

There is some truth in the contention of Mr G A Whitaker, that India and Ceylon had subsidised tea production in other countries by imposing and maintaining an export duty to take advantage of the situation prevailing since the last War. Whether the plain teas were being priced out of the export market by the duty, as Mr Whitaker complained at the last annual meeting of the Calcutta Tea Traders' Association needs to be carefully considered.

But while a case can probably be still made out for the retention of a modest export duty, there is absolutely no justification for maintaining a number of separate taxes on tea, as also a cess. The

several imposts except the cess can and should be consolidated into one, both to remove avoidable inconvenience and complication and reduce the cost of collection as also to enable — and this is by far more important — the burden to be adjusted far more precisely than is possible under the present system, to the ability of tea exports to bear it. What reason can there be for denying to tea exporters draw-backs of excise duties which are allowed freely to all other exporters? This appears to be altogether inexplicable. The resolution passed at the Shillong conference appears to be perfectly reasonable and the demand put forward as follows is eminently sensible:

"The Union Government should arrange with Governments of the tea-growing States of Assam and West Bengal to give them special grants to compensate them for their loss of revenue by the consolidation. A convention could also be established that the State Governments would not impose additional taxes upon the tea industry by reason of the termination of the two taxes."

From press reports, it does not appear that the Finance Minister of the Government of India, who attended the conference, had anything to say on this subject. He contented himself with such inanities as that "tea enjoyed a special place in the country's economy" or that "it increases our capacity to buy from the industrially-advanced countries the capital goods and industrial raw materials" etc. The consolidation of the various taxes on tea is an immediate and urgent problem. It is also a problem which can be solved fairly easily. Far from helping to solve it, Delhi has further exacerbated the relations between West Bengal and Assam over the question of abolishing the road tax and entry tax by proposing to compensate the two States not on the basis of revenue lost but in proportion to tea produced in each State. Since Assam produces double the quantity of tea that West Bengal does, naturally the proposal led to a deadlock, and the Finance Minister had nothing to say in Shillong as to how he proposed to break it.

For More Afro-Asian Trade

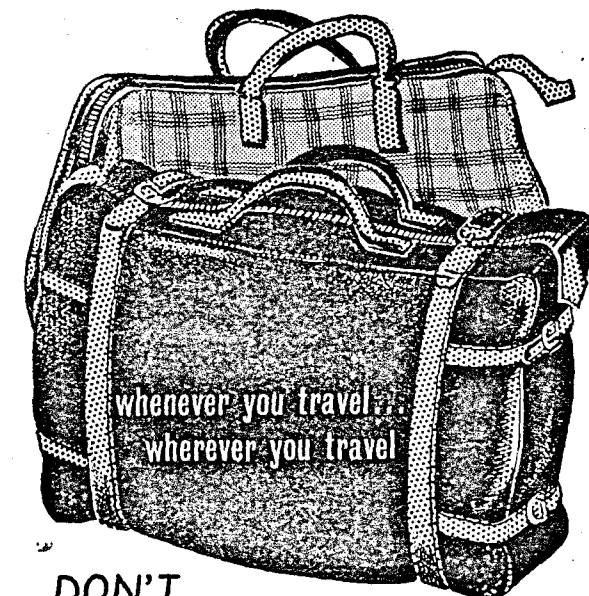
IN his address to the Third Conference of the Afro-Asian Organisation for Economic Cooperation, Prime Minister Nehru disclosed that a few years ago the late Dr Bandarnaike had sought to convene a conference of the Bandung countries to discuss economic matters affecting them. The move was, presumably, shelved after Dr Bandarnaike's assassination. But while no economic Bandung has been held at the Government level, the initiative was taken by the Chambers of Commerce in some thirty Afro-Asian countries to set up the Afro-Asian Organisation for Economic Cooperation. It is a moot point whether the passing of the initiative from official to non-official hands has not been for the better in that as a result political differences between the countries of the region have made themselves felt to a lesser extent in the preliminary discussions and deliberations on the subject of greater economic cooperation than if these discussions had been conducted at the Governmental level. Political factors cannot, of course, be ignored but no purpose would be served by allowing prejudices and frictions between countries to mess up the task of preparing the groundwork for greater economic cooperation within the Afro-Asian region. The fact that the Delhi conference was attended by South and North Vietnam and South and North Korea, among others, indicates in some measure what the Afrasec has achieved in this respect.

In his address to the Conference, the Indian Prime Minister suggested the need for a dual approach to the question of greater economic cooperation within the Afro-Asian region. On the one hand, there was a need for a general movement for all countries in the region to come closer and, on the other, there were the possibilities of closer cooperation of a more specific type among smaller groups of countries. This dual approach was necessary keeping in view the vast geographical dimensions of the region and the differences in physical and economic conditions.

Economic cooperation in a comprehensive sense requires that the Afro-Asian countries identify their

individual interests with the interests of the region as a whole. This may on occasions call for the sacrifice of immediate benefits by individual countries in the interests of eventual betterment of the region as a whole. In short, what is required is a step from national thinking to international thinking which cannot be taken overnight. But the need for trade is a living need, felt every moment, the fulfilment of which does not have to await the general acceptance of a comprehensive sche-

me for an Afro-Asian Common Market or a Payments Union. Even the political obstacles to greater trade can be exaggerated. That the deepest political cleavage cannot permanently and completely shut out trade is proved by the growing volume of East-West trade. It was, therefore, a step in the right direction when the organisers of the Delhi conference arranged for business talks between individual businessmen from the participating countries along with the general discussions on the principles and problems of greater cooperation among Asian and African countries.



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Weekly Notes

Dr Harold Mann

THOUGH the late Dr Harold H Mann spent his whole service career in India in the then Bombay Presidency, not many perhaps on the west coast know that Dr Mann first came out to India as Scientific Officer to the Indian Tea Association. That was in 1900, seven years before he joined as Agricultural Chemist to the Bombay Government and Principal of the Agricultural College at Poona. These posts he held until 1918 when he was appointed Director of Agriculture. He left India in 1928 to start another full career in England at the Woburn Experimental Station. About Dr Mann's contributions to the cultivation of tea in India, *The Times* obituary says that his work in this field both on the cultivation of tea and control or eradication of tea pests and diseases revolutionised tea culture and made him the accepted authority on the crop. Indeed, so great was the reputation that he built up for himself that his advice was eagerly sought again even years later and between 1930 and 1940, he often travelled abroad to Russia, East Africa and other countries that needed authoritative advice on the cultivation of tea. His contribution to the cultivation of tea in Russia was rated so high that he was referred to in Russia as the "father of Russian tea."

Dr Mann died at the age of 89 after a working life of more than 60 years during which his enquiring mind knew no rest. The reputation he left behind in the Bombay Presidency was legendary. But even more than the legend, what stood out was the life of the perfect karma yogi that he led to his last day. *The Economic Weekly* was fortunate to have published from his pen several valued contributions. Last year he was working on a review of the Suratgarh Farm when he lost his wife after 47 years of happy married life. Apologising for the delay in sending his review, Dr Mann mentioned what had caused the interruption, and added that he would resume working on the review as soon as he was able to do so. He did resume after a surpris-

ingly short break and completed the review which appeared in the issue of December 17, 1960 ("Progress at Suratgarh"). Could there be a more moving example of a man in his eighty-eighth year so firmly set in his life work of devotion to research? Dr Mann had a stroke on November 25 and died on December 2. He was preparing at the time for *The Economic Weekly* a review of "Changing India" by Professor Gadgil. He did not have time to finish it or the 20 other things that he had in hand.

Coal: Production and Target

THE Ministry of Mines and Fuel has once again brought up the question of raising the Plan target for coal. It is now felt, after reassessment of likely demand for coal during the Plan period, that we should be planning for an output of 110 million tons in 1965-66 and not 97 million tons. Where precisely the earlier estimates have been proved to be wrong is not known except that the demand of the steel industry will exceed the Plan estimate by a few million tons. The higher target of 110 million tons is proposed to be discussed at an inter-Ministerial meeting this Saturday.

One may be pardoned for choosing this moment, when the Ministry appears to have its eyes fixed on 1965-66, to tell a few home truths about what is happening to coal production right now, in 1961-62. The following figures may be instructive:

	Monthly Coal Raisings	
	1961	1960
	(Million tons)	
January	5.13	4.11
February	5.32	4.29
March	5.52	4.36
April	4.54	4.46
May	4.60	4.42
June	4.18	4.21
July	4.16	4.04
August	4.38	4.20

It is clear from these figures that production of coal is currently running at a level well below even the Secod Plan target of 60 million tons per annum. At this rate, we shall end the first year of the Plan with an output of about 53 million tons

against the target of 97 million tons for 1965-66 which the Ministry now wants raise to 110 million tons.

It is, of course, perfectly conceivable that we may succeed in doubling coal output in four years but present trends are not very hopeful, to put it mildly. Take for instance, the question of transport. The collieries have for long complained that the mounting stocks of coal at the pitheads are hampering fresh raisings. A series of conferences embracing coal producers, traders and consumers and the Ministry of Mines and Fuel and the Railway Ministry have failed to meet the situation. Promise after promise made by the Railway authorities to increase the number of wagons for coal loading have remained unfulfilled. The latest is contained in a press note dated Sunday last which announces grandiosely that "the Government of India have decided to increase the daily coal loading target from 6,535 wagons as at present to 6,925 wagons next year as a new measure to improve the delivery of coal". It is, of course, tactical to talk in terms of targets rather than achievements. But the sanctity of a target may be judged by the fact that against the current target of 6,535 wagons, the number of wagons actually loaded with coal fall slightly below 6,000 per day. There is, to be sure, no mention of this in the press note.

There is, then, the question of providing foreign exchange to the private collieries to enable them to import the much-needed machinery and equipment. The cost of the private collieries' programmes to raise production by 17 million tons, which is their share of the coal target, is estimated at Rs 60 crores with a foreign exchange component of Rs 28 crores. In a recent communication to the Government of India the Indian Mining Association, along with other organisations of mining interests, have pointed out that the position regarding the import of essential spares and machinery required to replace obsolete equipment has now become "extremely acute". In this connection, the Government's attention is drawn to the fact that, though the

World Bank has granted a loan of \$35 million for the purpose of meeting the foreign exchange requirements of the private sector, it had not been possible to utilise any part of the loan owing to procedural delays.

The mining interests' memorandum also mentions various other difficulties faced by the coal industry and urges upon the Government to take immediate steps to ensure adequate transport facilities and power, timely supply of explosives, speedy issue of import licences, to neutralise the increases in the cost of production, and revise prices and reclassify and regrade coal.

It is not necessary to go into the merits of the issues raised by the coal industry in their memorandum to realise that something must be seriously wrong with the industry. The production figures for recent months prove that.

Would it be impudent to suggest that an inter-Ministerial meeting to discuss the current problems of the coal industry may be as much, or more, to the point as one to discuss a higher production target five years hence?

The Katanga Lobby

Our London Correspondent writes:

IF any confirmation was needed of the truth of Dr Conor O'Brien's courageous statement on the sordid realities of the Katanga situation, this has been provided by the performance of the British Government in changing its mind at the last moment about sending bombs to Congo. Pressure from Sir Roy Welensky and the threatened revolt of a section of the Conservative Party, lay behind this astounding reversal of a decision taken earlier. The role that the British and French Governments have played in giving lip support to the United Nations campaign while deliberately sabotaging all attempts to back up United Nations action, have raised visions, once more of "perfidious Albion". As O'Brien pointed out, he felt greater respect for the Belgians who, at any rate, had come out openly in condemnation of the United Nations action so that everybody knew where they stood.

The strength of the Katanga lobby is certainly surprising, and pro-

vides a very interesting example of how vested interests work. Many of Tshombe's supporters in the UK have direct financial interests in the Congo. It was to preserve the wealth of such companies as the Union Miniere, in which the British have an interest, that Tshombe was set up as a power in opposition to the Central Government of the Congo. The Belgian Government had a share of just under 17 per cent of the shares in Union Miniere. This was to be handed over to the Congo Republic, but with the Katanga breakaway, the shares have been frozen. On the basis of Katanga's wealth, Mr Tshombe is now able to acquire modern jet aircraft, offer £300 a month to his mercenary recruits and obtain a fleet of two dozen heavy lorries from South Africa. A recent article in the *Manchester Guardian* on the wealth of Katanga points out that Britain's economic stake in the Congo is estimated to be split between Katanga and the rest, in the ratio of 45 to 55. Unilever has large interests in palm oil production, and British tobacco interests have a stake in the areas near Stanleyville. And it is not without significance that when O'Brien landed at London Airport recently, he was provided with a bodyguard of nearly a dozen police officers.

Britain's far from creditable role can only serve to strengthen Afro-Asian suspicion, and confirm Washington's belief that in colonial matters Britain is not to be trusted entirely. Harold Wilson summed up the situation well last Saturday when he said: "Britain's reputation, already fouled over Angola, will not be restored until the Govern-

ment clearly repudiate the Katanga lobby among their own backbenchers and equally clearly make it known that they are not going to be influenced by the powerful financial groups which have been playing such a sinister role in recent months. Everyone knows that the foreign mercenaries could not continue for a day without outside support. The world is entitled to know who is supplying them."

Enough innocent blood has been spilt to preserve the profits of Katanga. Tshombe, without his mercenaries, is not a stable force, and all possible help should now be given to bring the United Nations action in the Congo to help bring about a satisfactory conclusion and build up a strong Central Government.

Atom for Peace Miracle

PEACEFUL use of atomic energy looms large in all discussions on the banning of nuclear tests and has acted throughout as a backdrop to such discussions. But what precisely are the new avenues to the peace and prosperity of mankind which are barred today by the mad obsession of the rival blocs on development of nuclear weapons? If one comes to think of it, even atomic scientists are extremely restrained, if not altogether reticent, in elaborating the possible future rôle of atomic fission in changing the face of the earth into something more beautiful and pleasant than it is today. For years we have heard of the limited uses of isotopes in the diagnosis of diseases and medical research; similar applications in the fields of plant breeding and genetics are mentioned from time to time; and there is the recurring theme of the possibilities of the development of atomic energy as a fuel and source of power which some day will be found, we have been promised, cheaper and more economic than the thermal and other conventional sources.

Speculation about the relative costs of atomic versus other forms of energy has gone on longest and has also been the keenest in Britain than in any other country. This is because of the well-known reason that Britain's long term prospects of coal production are gloomy. This in-

Greetings

We wish all our readers and patrons a Happy Christmas and a Bright and Prosperous New Year.

This is the last number of the current year. There will be no issue of *The Economic Weekly* on December 30, on account of Christmas and New Year holidays.

The next issue, No 1 Vol XIV, will be dated January 6, 1962.

vests the search for alternative sources of fuel with some urgency. The prospects of obtaining atomic energy at economic cost have changed over the last few years. The earlier estimates of the cost of nuclear power are now widely regarded as over-optimistic. The latest estimate of the Chairman of the Central Electricity Generating Board which is the world's largest single customer for nuclear power stations further confirms it. The unit cost of electricity from the first commercial atomic power stations, he gave out the other day, would be twice that from the Board's new—and the highest cost—thermal plants. The nuclear power programme may still be justified according to this high authority if, and only if, a shortage is anticipated in the supply of conventional fuels; but not in terms of the relative costs of alternative fuel with coal or oil. Any way, the subject of atomic energy as a source of power has

been fairly well thrashed out and has no longer any novelty about it. But what about the other uses which stagger the imagination of atomic scientists? Those among the latter who are contemplative and philosophical some times say things off the record—the possibility of moving mountains, of generating heat in the caverns and the bowel of earth which could supply an unfailing and steady source of power; of the possibility of changing the course of rivers, widening and deepening of harbours; and of performing many other miracles—all within the twinkling of an eye, 'if only'. That 'if', of course, means systematic, continuous and concentrated research. These wider possibilities, curiously enough, are rarely, if ever, played even by writers of science fiction, not to speak of responsible and informed popularisers of science. One of the latter, however, allowed himself a little latitude when commenting upon one of the

recent underground explosions tried out in the United States. The testing of an underground bomb in a salt bed, he thought, could mean an attempt to study the possibility of the generation of heat of immense intensity and its retention for possible practical uses. If this is correct, the speculation is warranted that the explosion of a bomb deep in the bowels of the earth might serve the purpose of a super colossal thermal power station which could be kept going indefinitely by the periodic detonation of the tiniest of atomic bombs—provided, of course, the earth doesn't cave in.

With the progress of science and organised research, the time-lag between a basic discovery and its extensive application in diverse fields has been progressively reduced. Not so in the case of atomic energy, considering the very narrow range of uses to which it is being currently applied.

From the London End

The New "Club" and the I M F

FURTHER evidence of the major shift in world monetary power across the Atlantic—from America to Europe—was provided last week when agreement was reached among the Finance Ministers of Western countries, to put into practice the proposal about supplementary credits to provide the I M F with facilities to call on a substantial volume of extra monetary reserve in the event of an emergency, such as a future run on the dollar or the pound and to counter the adverse effects on the key lending currencies, the sterling and the dollar, caused by short term movements of hot money. One significant feature of this arrangement is that it is now the pound and the dollar that are under strain and the European currencies which are strong and must take the main burden of lending.

It will be recalled that at the Vienna Meeting of the I M F in September discussions on expanding the Fund's borrowing facilities ended in disagreement because the main countries which would bear the brunt of the loans—the countries of Western Europe—were not pre-

pared to provide additional funds to the IMF if they themselves had no control over the use of these funds. They rejected the original idea to build up an almost automatic arrangement to call on the reserves of the leading surplus countries at a time of a sharp capital outflow adversely affecting any currency. Discussions were, however, continued to seek agreement on the details of a plan worked out by the Fund's Managing Director, Dr Per Jacobson. This has now resulted in the new agreement.

More Like Bernstein Plan

The basic conception of the new scheme resembles the Bernstein Plan from which it grew and which envisages that the I M F would draw special credits from strong currency countries for loan to those in difficulties. This idea evolved into the Fund's own plan which received backing in principle from the Fund Governors at Vienna in September. The latest version, like its predecessors, is aimed at offsetting those rapid flows of speculative capital which have lately been a feature of

the international scene. Dr Jacobson made it clear in September that there would be no automatic call-up of credits without the lender's assent and this will still be so.

The new agreement has been sanctioned by the Finance Ministers of ten leading industrial countries, known as "the Club"—the U S, Britain, France, Germany, Italy, Belgium, Holland, Sweden, Canada and Japan. They have agreed to add \$6,000 million to the resources of the I M F. Switzerland may also be associated by some procedure yet to be worked out, as she is not a member of the I M F. Although the exact amount which the Club would be ready to put at the disposal of the Fund was not revealed it was stated that Common Market countries would contribute at least one-third of the total. The following may be taken as the orders of magnitude.

(Million dollars)

U S	2,000
U K	900
Germany	900
France	500
Italy	500

THE ECONOMIC WEEKLY

The remaining five countries would contribute something like \$ 250 million each. It is not surprising that the Club should be the monetary working group of the Organisation for Economic Co-operation and Development since a swing of economic power from the U S to Europe has been responsible for the decline of confidence in the dollar. The use to which each applicant intends to put the loan will have to be approved by the ten members of the Inner Club who provide the money. The I M F has seventy members in different stages of economic development and is, therefore, in many ways, not a suitable forum for discussing currency matters which immediately concern only a handful of industrial countries. The clear linking of the new Club with O E C D recalls the system of consultation followed by quick action which underlay the Basle Agreement.

Creditors Seek Assurance

The creditor countries sought a large measure of assurance that the credits would only be used to provide a cushion in a crisis. Any idea of drawing on the reserves of the surplus countries to put more means of payment into international circulation, is sternly rejected. The Continental Central Banks also want to make sure that support given through the I M F to the dollar or the pound, is not siphoned off in the form of aid to third countries over which the I M F has no control.

The new plan will probably come into force in four or five months' time and in theory will increase the lending resources of the Fund by \$6,000 million to nearly \$20,000 million. The new credits will not necessarily be used. They are not intended primarily to help member countries over temporary deficits in their balance of payments, but to neutralize the effects of the massive movements of short-term capital which have developed during the past couple of years. France and Holland have made it plain from the beginning that they are ready to supply additional credit, only if they are able to exercise close control over their use and they have evidently succeeded in carrying their Common Market partners along with them in this view.

The proposals about supplementary credits which were eventually accepted were realistic rather than ambitious. They were both the minimum necessary if the Bretton Woods system is to continue functioning effectively under conditions of convertibility and the maximum possible without a thoroughgoing revision of the Fund's charter.

Despite Selwyn Lloyd's belief that "very real progress has been made", whether the new scheme is to be a step forward in financial co-operation, or merely a means of weakening the power of the Fund and its officials, is yet to be seen. It should, however, be stressed that it will do nothing to increase the supply of international liquidity.

Rethinking on Monetary System

The difficulties which the dollar and sterling have been meeting in recent years, and the overall shortage of world liquidity, have led to a certain amount of re-thinking on the whole problem of the monetary system. Among the solutions that have been mooted are: a return to the Gold Standard; the suggestion that the dollar price of gold must be raised; the suggestions put forward by men like Dr Edward Bernstein and Professor Robert Triffin, which would either increase the I M F's pool of gold and foreign currencies by additional contributions from member countries or convert the I M F into an International Central Bank which would take over all the members' present and future holdings of foreign exchange and convert them into international universally acceptable deposits. The Fund would then regulate international liquidity just as any Central Bank does.

There seems to be a general recognition that the return to the Gold Standard would certainly not help. In recent months, however, the school of thought which has argued for a rise in the price of gold has become vocal again. At one time, one of the major arguments used by Western economists was that any rise in the price of gold would benefit the Russians. This was argument enough for not pushing ahead with the plan. (Although the Russians do not publish any statistics on output or sales of gold, in Picks

Currency Year Book an estimate is made that Russia's gold output in 1960 was 625 tons, worth over U S \$700 million while sales of gold to the West in the first five months of 1961 were worth \$200 million.)

Another objection to a rise in the value of gold is the psychological impact of an increase in its price on the international financial system. It is generally held that such a change would undermine confidence in the dollar to an irreparable extent. However, in view of the nagging doubt in the minds of many people regarding the suitability of the present value in gold of both the dollar and the pound, a substantial increase in the world price of gold might well make a considerable contribution to removing one of the persistent causes of the lack of confidence in the present international monetary system. There is a strong feeling that the U S and the U K may have to seek a solution of their payments troubles in unilateral devaluation. One of the reasons why Central Banks continue to hold gold is that they believe that its value may one day be raised. If this were done now, all doubts and hesitations would be removed once and for all. It should also not be overlooked that a gold price change would increase materially the size of the reserves of both America and Britain in relation to their short-term liabilities. This would make both currencies less vulnerable to a unilateral devaluation. With the dollar and the pound under recurring strain, many believe that these currencies may well be written down in relation to gold as a result of international acceptance of the view that gold must be revalued to allow it to resume its traditional role in the international financial system.

While this feeling persists, the efforts, such as those described above, made by the I M F to overcome the shortage of international liquidity by restoring its stocks of currencies which are now in greater demand, i.e. Western European currencies, seem to some extent to be against the tide, even if they do something to counter the growing preference for gold by attempting to strengthen the standing of the two main reserve currencies.

Andhra's Plan for 1962-63 Approved

THE Planning Commission has tentatively approved the proposals of the Andhra Government for an outlay of Rs 50 crores in 1962-63, the second year of the Third Plan, as against an allocation of Rs 48 crores in the current year. It was expected that the Commission would agree to an outlay of at least Rs 53 crores for next year to enable the State Government to formulate its schemes sufficiently early during the Plan period and complete them before the end of the Plan. This would obviate the possibility of expenditure on continuing schemes spilling over from year to year and from plan to plan and the tempo of development programmes slackening as a result. In fact, the system of annual review of Plan progress is intended to prevent such spilling over.

The 1962-63 programme includes schemes for agricultural and industrial development, as also schemes for the expansion of education, community development and public health facilities. Work on the more important irrigation projects in the State such as the Nagarjunasagar, the Tungabhadra low and high level canals and the Kadam project on the Godavari will be continued. The irrigation potential that these will create will be over 26 lakh acres, of which Nagarjunasagar alone will account for nearly 14.5 lakh acres. Other continuing schemes will be the Tungabhadra hydro-electric scheme and the Tungabhadra-Nellore hydro thermal scheme.

Conspicuous omissions in the approved programme are the controversial Pochampad and Sisailam projects, which are enmeshed in the coils of the inter-State dispute about utilisation of the waters of Krishna and Godavari. Of the total outlay of Rs 50 crores, irrigation and electricity schemes alone will claim about Rs 22 crores.

In the context of the target of 4.6 lakh tons of additional food-grains production in 1962-63 as against an anticipated increase of 4 lakh tons this year, the renovation

and restoration of minor irrigation works and construction of tube-wells would receive priority. It is stated, there are about 20,000 minor irrigation tanks in need of restoration in the State.

In the sphere of industries, the main item will be the expansion of the Andhra Paper Mills at Rajahmundry, and the establishment of three industrial development areas, on the basis of a survey recently conducted in these areas to assess their industrial potential. Another scheme is to set up two rural industrial estates in villages with less than 3,000 population but where power and other facilities are available. These will be in addition to the 7 public and 17 private industrial estates established during 1961-62. The State will also have two new central industrial projects—the heavy electrical plant and the synthetic drugs factory—preliminary work in connection with which is expected to commence soon. The Hindustan Shipyard at Visakhapatnam is expected to be expanded. Training schemes will be expanded so as to provide training facilities for 450 additional trainees in industrial training institutes during 1962-63.

The next year will witness the extension of the community development programmes to the entire rural area in the State. Of the 455 development blocks into which the State has been divided, 326 have already been brought under the Panchayati Raj scheme and during 1962-63, 52 stage one and 67 pre-extension blocs will be set up to complete the programmes. The expenditure on the programme would be about Rs 6.5 crores.

In the sphere of social services, the principal programme will be the extension of primary education facilities in the rural areas, to bring into schools under the compulsory primary education scheme an additional 2.5 lakh children. It is gratifying that as against an estimated enrolment of 1,75,000 pupils during the current year, enrolment has gone up to 1,80,000. The dearth of

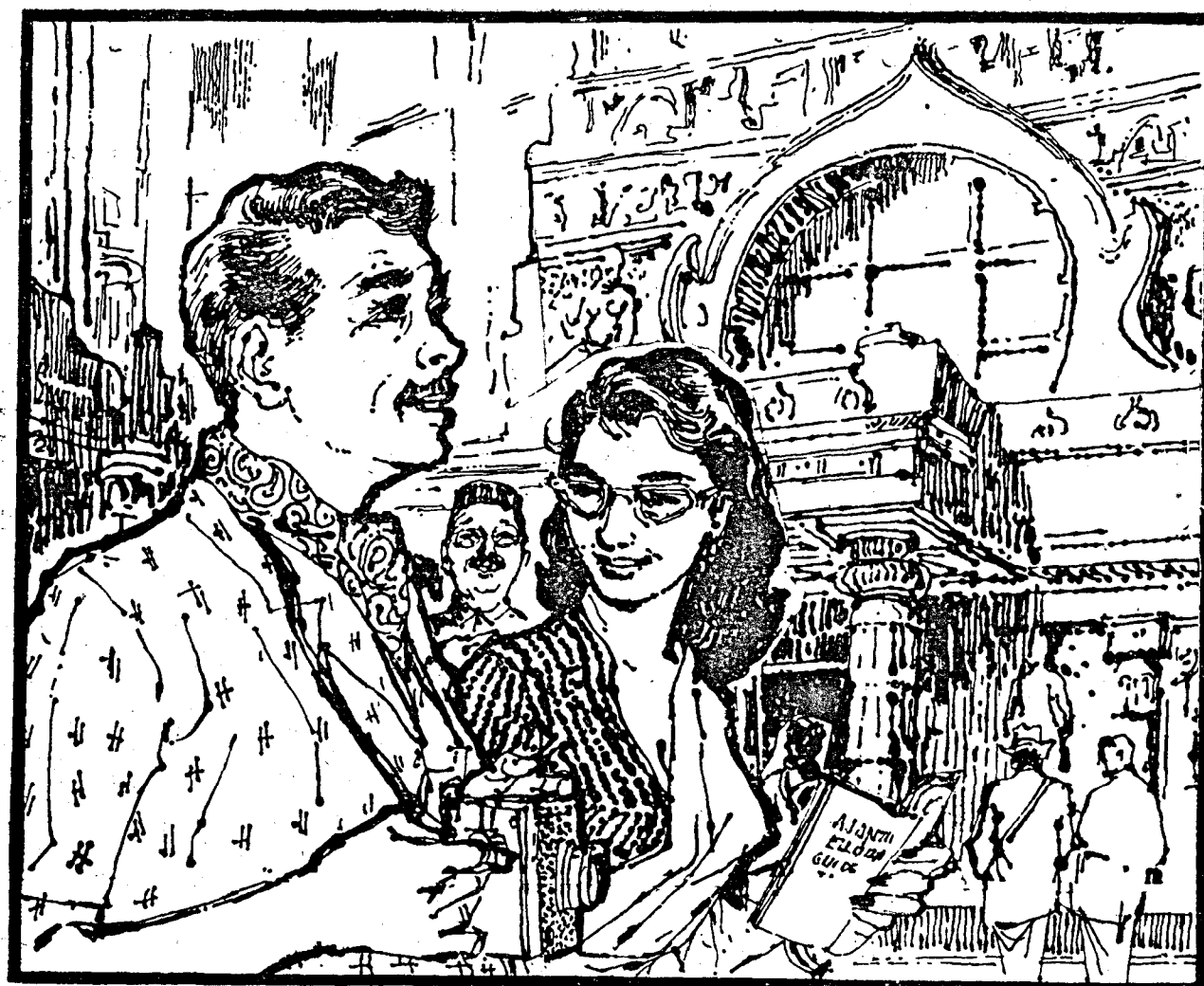
trained teachers is, however, a serious impediment. There are many schools without the full complement of teachers even as there are a number of hospitals without doctors and other complementary staff. In the field of public health, the principal programme is extension of water supply and sanitation schemes. Family planning will receive a spurt with the proposed establishment of 20 mobile units for the 20 districts and 30 family planning centres in the community development blocks. For social services the over-all allocation will be Rs 8 crores.

Streamlining the Administration

Though belatedly, the Andhra Government have accepted some of the important recommendations of the Administrative Reforms Committee, which reported some months back. The accepted recommendations are designed both to improve service conditions of the employees and to improve administrative efficiency and ensure quick disposal of business.

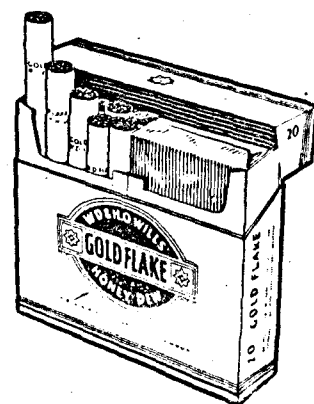
An immediate result will be that at least 50 per cent of the Government servants, who have been holding temporary posts for three years or more, would become permanent. Pension and retirement benefits have also been substantially liberalised. For example, a retiring Government servant would be given an anticipatory pension, equal to three-fourths of pension worked out on the basis of the average emolument in the last three years, pending scrutiny and fixation of pension.

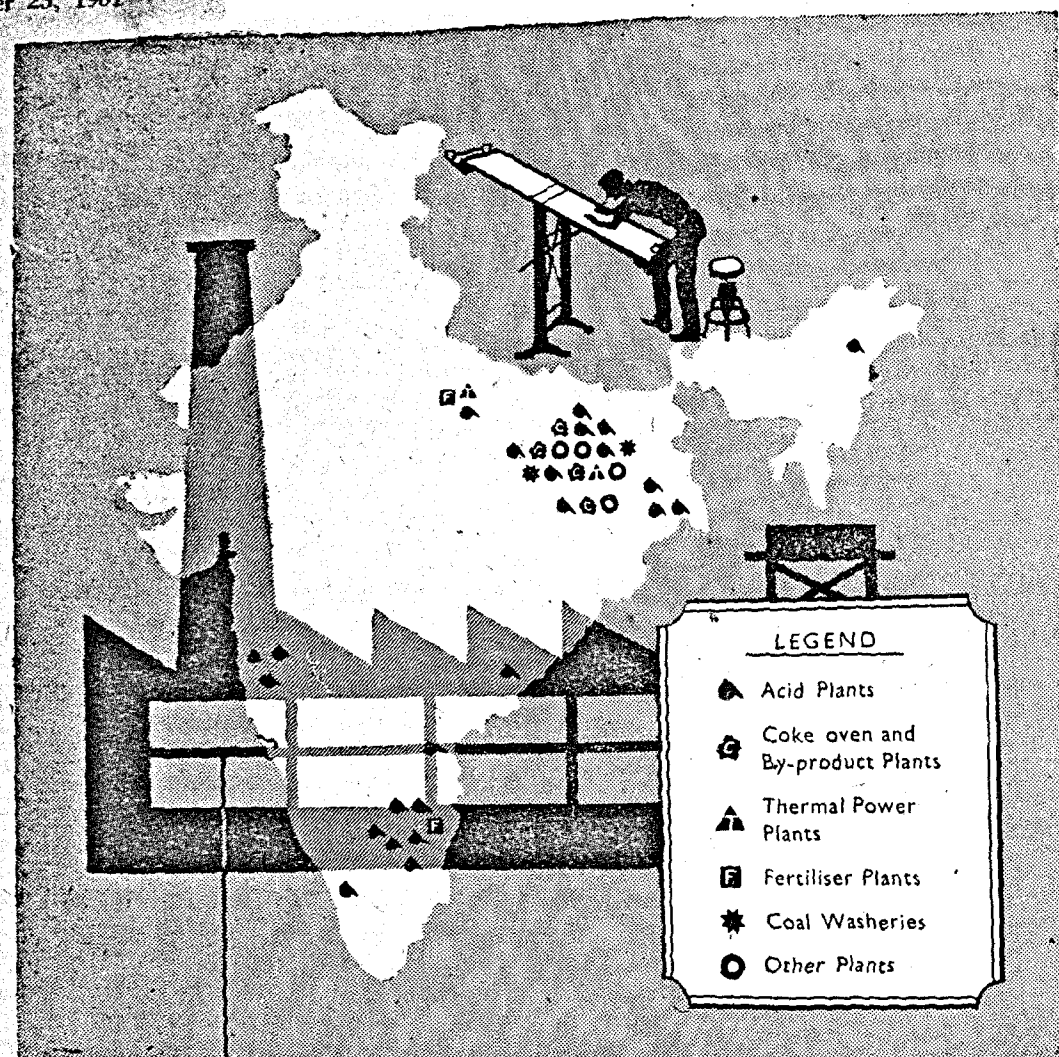
Of significance for improving administrative efficiency is the acceptance of the suggestion that decision-making levels in the secretariat should be strengthened by having a larger number of assistant secretaries and by a corresponding reduction in the clerical staff. The practice of "suggestive noting" by the clerks is being stopped to prevent over-dependence of the decision-making cadres on views directly or indirectly expressed at the lower



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stages. Implicit in this is also a larger delegation of authority to dispose of cases to Assistant Secretaries. It is enjoined that Government orders giving option to inefficient employees to retire should be "implemented unhesitatingly".

Other changes agreed to by the Government are that the Organisation and Methods Division of the General Administration Department should be strengthened, that a standing Administrative Reforms Committee should be set up to propose measures for improving administrative methods and procedures and to review the action taken from time to time and that a permanent coordination committee should be constituted, with the Chief Minister as chairman, to coordinate departmental activities. It is also decided that, as the number of Governmental commercial undertakings is increasing, a pool of senior officers should be created from which personnel for manning senior posts in these undertakings could be drawn.

It may be said, as in fact it is said by opposition parties, that the announcement of the benefits to service personnel has been so timed as to synchronise with the general elections and thus benefit the ruling party. It cannot be denied that there is an element of truth in this.

Agricultural 'Package' Programme

The 'package' programme of agricultural production, which is being implemented in West Godavari district in Andhra from 1959-60, can be regarded as being a substantial success. The programme, which is to be in operation for five years, is intended to raise agricultural production by 40 to 60 per cent over 1959-60. It now covers 62,000 agricultural holdings in the district, and the crops which are included for special attention under the programme are paddy, chillies, sugarcane and banana.

An important aid to the implementation of the programme is the liberal supply of chemical fertiliser. For the rabi crop last year 4,600 tons of fertiliser was distributed while for the coming kharif season a supply of 26,000 tons of fertiliser is planned. This is in addition to the green manure to the use of which the cultivators in the district have been long accustomed. Other

aids to farming under the programme are the laying out of 500 seed farms for supply of improved seed and the liberal distribution of insecticides and sprayers for spraying them. Credit facilities are made available to the cultivators at the rate of Rs 150 per acre of paddy, Rs 250 per acre of chillies, Rs 500 per acre of banana and Rs 750 per acre of sugarcane through a network of cooperative societies which are also in charge of distribution of fertiliser, implements and seeds.

During the last rabi season nearly 4,000 cultivators received credit advances to the tune of Rs 12 lakhs while for the coming kharif season an amount of Rs 50 lakhs is proposed to be distributed as credit. The marketing of agricultural produce is undertaken by 9 cooperative marketing societies functioning at taluk headquarters under the over-all supervision of the West Godavari Cooperative Marketing Federation, to which about 150 rural cooperative societies are affiliated. The membership of the cooperative societies had gone up by 3,000 during the rabi season, and more and more ryots are applying for membership. Demonstrations are being arranged by the agricultural department officials and the extension staff in the panchayat samitis in the district to educate the cultivators about improved farming methods and practices.

The 'package' scheme gives promise of attaining the targetted increase in agricultural production in the district. A number of cultivators have reported that they have been able to produce, as a result of the various facilities and assistance afforded by the scheme, an additional 15 to 18 bags of paddy on an average, of a 5 acre farm. Important factors that justify this confidence are the active interest that the extension staff are taking in propagating the scheme and in assisting the cultivators in every possible way and the enthusiasm with which the cultivators themselves are coming forward to utilise the various facilities made available to them. Besides, a large proportion of the cultivators in West Godavari are what may be called 'progressive' and have, in fact, long been accustomed to make—and had actually been making—cultivation a profitable occupation.

Second Lok Sabha

THE Second Lok Sabha, whose life ends on March 31, 1961, has passed 310 Government Bills. It will meet again in the later half of March next to pass a vote on account for the year 1962-63.

Among the Bills passed three amended the Constitution and three related to Wealth Tax, Expenditure Tax and Gift Tax. One Bill provided for abolition of two-member constituencies and another prohibited giving and accepting dowry. A joint sitting of two Houses was held for passing this Bill.

The Second Lok Sabha has so far admitted and discussed three adjournment motions. One of them was regarding firing in the sweepers colony in Delhi; the second related to the breakdown of water supply in Delhi, and the third was in regard to the alleged failure of Government to protect life and property of people in Murshidabad-Rajshahi border against incursions by Pakistani troops. Notices for 1173 adjournment motions were received, of which 491 were brought before the House.

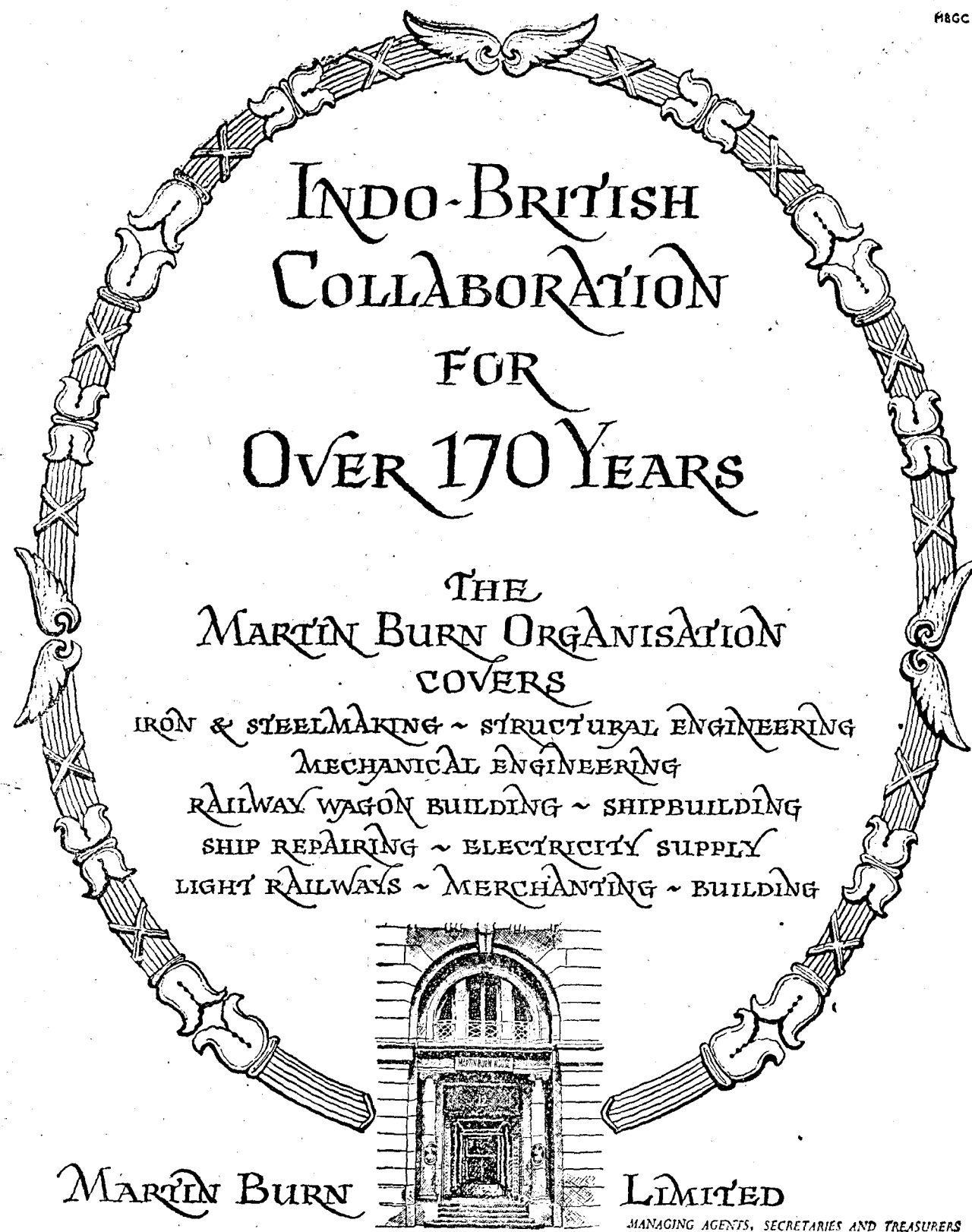
Two private members' Bills have been adopted by the House. One of them amended the Code of Criminal Procedure and the other related to the supervision and control of orphanages and other charitable houses.

Out of the private members' resolutions one was adopted. The resolution recommended that during the next three years every possible effort should be made to organise service cooperatives all over the country and to develop the spirit of cooperation in general so that cooperative farms might be set up voluntarily by the people concerned wherever conditions were mature.

So far 62,285 questions—both starred and unstarred—have been admitted by the Second Lok Sabha as against 43,411 by the First Lok Sabha. Similarly, 128 half-an-hour discussions on replies to questions were admitted as compared to 41 admitted by the First Lok Sabha.

Seventeen resolutions—nine Government and eight statutory—and 122 motions under Rules 191 and 342 were discussed in the House. Calling attention notices received so far numbered 1006 out of which 309 were admitted and statements were made on the floor of the House.

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1886

Letter from Punjab**The Akali Debacle**

IN James Thurber's fable 'The Owl Who Was God', those of the creators, who, impressed by the owl's nocturnal vision, decide to follow him at noon, are crushed by a fast truck. The owl's proverbial wisdom is of little avail and he also gets killed. Thurber's moral: "You can fool too many of the people for too much of the time".

The ability to cast a spell on one's followers and lead them up the garden path cannot last for ever and Master Tara Singh is at the nadir of his career. During his fast and before, he was so completely committed to the Punjabi Suba that no amount of verbal jugglery now can erase the impression that he has betrayed the "cause", a dubious one though it was.

Master Tara Singh has always been a prisoner of words and his latest hogey is 'discrimination'—against whom and by whom does not matter, so long as he can create sufficient stock response among his followers. But even this seems difficult to do now. 'Discrimination' is rather a difficult charge to sustain, unless one identifies the Sikhs with the Akalis, which is absurd. Out of a total of 89 sitting MLAs from the Punjabi speaking districts, 67 are Sikhs and that alone should be sufficient to convince any one of the flimsiness of the Akali charge of 'discrimination'. Master Tara Singh knew that while he could whip up some sort of a frenzy—though most people wouldn't take him seriously—he could not present even a plausible case before a Commission of eminent jurists unless his definition of 'discrimination' was accepted.

That is why Master Tara Singh did not go before the Das Commission. He made an issue of Jaya Prakash Narain's membership of the Commission but the latter is reported to have declined the offer. Probably the Master wanted a face saving formula to break his fast and none was easily available. Of course, he kept shifting his ground during his fast. Beginning with "Punjabi Suba or death" he came round to "getting the honour of the Sikhs restored", and finally gave up

the fast on the Government's offer to set up a high-power commission to enquire into Sikh (rather Akali) grievances. This commission the Government had offered to set up even before he had gone on his fast. But those who were aware of his ability to shift his ground were sure that he would never carry out his threat to fast to death. That would be a negation of his whole career.

'Five Piyara' Commission

But the way he wriggled out of his fast has aroused wide-spread discontent among the Akalis and some leaders, opposing his continued Presidentship of the SGPC, threatened to go on fast to compel him to resign. One of them actually undertook a week-long fast. The Master was hoisted with his own petard! To keep the Akali leadership united a *modus vivendi* was found in the setting up of a commission of 'Five Piyaras' (religious heads of the five important Sikh shrines) to judge if he and Sant Fateh Singh had broken the vows they had taken on the eve of their fast for the Punjabi Suba and to prescribe punishment if they had. It goes to the credit of the 'Five Piyaras', employees of the SGPC as they are, that they declared Master Tara Singh and Sant Fateh Singh guilty and ordered the two leaders and others to clean utensils and shoes (the heaviest punishment that has been so far imposed by the 'Piyaras'). Master Tara Singh had no option but to accept the punishment if he wanted to retain his leadership. Even Maharaja Ranjit Singh, had to submit to the punishment imposed by the 'Five Piyaras' for having taken one of his concubines into the Golden Temple. That puts Master Tara Singh in distinguished company, for he is the first Sikh leader after the Maharaja to suffer this ignominy.

The episode of the fast and its aftermath has definitely taken the wind out of Akali sails and we are promised another bout of incoherent blabbering from the Master: His latest allegation is that the Government is dealing with the Sikhs and the Portuguese in the same manner! He has now decided to

take the Punjabi Suba issue to the electorate. But that was always open to him and even at the time of his fast it was fairly well-known that the General Elections were approaching. But whether he will be able to draw sufficient Hindu votes, despite his new-found love for Hindu-Sikh unity, is another question. Most competent observers doubt if he will be able to enthuse many Sikh voters, either. For the average Sikh, rarely concerned overmuch about the Master's queer utterings, at least in the more recent past, is even more indifferent towards him now.

Production of Pipes at Rourkela

THE pipe plant at the Rourkela Steel Plant broke all previous records when it produced 692 pipes in two shifts on November 30. The previous record was 465 pipes on October 16.

The Rourkela Pipe Plant is the only large diameter pipe plant in India and is currently making 14-inch diameter oil pipes to the rigid specifications of API (American Petroleum Institute) for the Nakharkatiya-Barauni Pipeline Project.

Out of 27,008 metric tons of pipes to be supplied for the pipeline more than 15,000 metric tons of API quality pipes have already been despatched. Every pipe is tested by Lloyds surveyors and has to undergo the various flattening hydraulics and magnaflux tests before it gets the API mark and can be despatched for the pipeline.

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1887



I saw mummy kissing Santa Claus

Underneath the mistletoe last night
Oh, what fun it would have been
If daddy had only seen
Mummy kissing Santa Claus last night!



Merry
Christmas



AIR-INDIA

Book Review

National Sovereignty and International Organisation

B Mitra

United Nations and Domestic Jurisdiction, by M S Rajan, issued under the auspices of the Indian Council of World Affairs and published by Asia Publishing House, 1960 (second edition). Pp 539. Price Rs 34.25.

THE concept of sovereignty prevents States from setting up an international organisation with adequate power to enforce the law. It is not surprising, therefore, that the United Nations Charter assures States against intervention in matters lying within their domestic jurisdiction. Though this is one of the most controversial articles of the U N Charter, interest on the subject of domestic jurisdiction turns on the actual working of the United Nations Organisation.

The League of Nations Covenant had likewise included a reservation on domestic jurisdiction, and such matters were excluded from the scope of inquiry by the Council under Article 15. What evoked a great deal of interest in the provisions of the U N Charter was that domestic jurisdiction was made an overriding principle. While the League had designated the Council to decide, according to international law, questions of jurisdiction, the United Nations leaves the interpretation without a legal directive to Members or the organs. The Charter provisions read as follows:

"Nothing contained in the present Charter shall authorise the United Nations to intervene in matters which are essentially within the domestic jurisdiction of any State or shall require the Members to submit such matters to settlement under the present Charter; but this principle shall not prejudice the application of enforcement measures under Chapter VII".

A strictly legal interpretation would underline the importance of the International Court of Justice deciding on issues with the yardstick of international law. Shri Rajan is right in claiming that the Charter is a political instrument in legal garb, and therefore a strict legal interpretation may have proved restrictive in situations in which the United Nations has been involved. Beginning with the regime in Franco's Spain, a matter assumed to lie within the domestic jurisdiction of a State, the United Nations

has intervened in many situations. Of the two theories, the static concepts cautiously preclude anything more than discussion as intervention, while in the dynamic approach a resolution or even a commission of inquiry are well within the bounds of Article 2 (7). The decisions taken by United Nations organs have belied the pessimism of jurists in the early stages of acute controversy. They have in no way adopted a narrow interpretation of the clause. The League with certain exceptions followed the rule of unanimous voting, whereas the United Nations General Assembly votes by two-thirds majority. Therefore, resolutions have been passed which incline towards narrowing the scope of domestic jurisdiction.

International Control on Nuclear Weapons

This is a voluminous work studied with foot-notes and references and ever so often one wishes the author would give more of his opinions. The section which is particularly uncritical is on India's interpretation of the clause. In a work by an Indian scholar one had hoped for something more than pious platitudes. Whilst the author justifies India's taking a dynamic stand in regard to non-self-governing territories and human rights (although there is no mention of the General Assembly resolution on Tibet), her attitude on controversial

"And lastly, where the United Nations and its Members strayed far beyond the merits of a question or where ideological considerations largely influenced the attitudes of Members . . . India has abstained from taking an active part or at least a definite position in consonance with her foreign policy of non-alignment with any ideological group of nations. In fine, it is submitted, India is one of the Members which has consistently and in good faith sought to implement effectively the terms of the Charter and also to carry out her own obligations under it so far as the domestic jurisdiction limitation is concerned". (p 390).

issues is explained in hackneyed phrases:

India's policy if one of non-alignment has also been one of peace, yet India shied away from international control measures suggested in the Baruch Plan whereby ownership, operation and management of all dangerous plants were to vest in an international authority. In the wake of nuclear weapons and the changing framework of international relations, the question of controlled disarmament implies encroachments on the sovereign jurisdiction of States and the ultimate success or failure of the United Nations may in future be judged by the manner in which it is able to limit the power of sovereign States to add to their destructive potential. The author's opinion on international control of atomic energy and the domestic jurisdiction clause are expressed on p 322: "the shortcomings of this provision, as well as of the Charter as a whole, are glaringly underlined in the discussion of this question". Yet his remarks, in conclusion, or in regard to India's attitude towards domestic jurisdiction, do not take account of the question of disarmament. Moreover, in a fairly exhaustive bibliography while the author cites G M I Blackett's "Military and Political Consequences of Atomic Energy" one wonders why he should not have included Philip Noel-Baker's study "The Arms Race, A Programme for World Disarmament" (1958).

The predominant question undoubtedly is whether Article 2 (7) has restricted action by the United Nations and whether it calls for revision of the United Nations Charter. Here, it is most instructive to have a summary of cases as given in the books and as in the case of most of its provisions the United Nations has adopted a flexible interpretation of the clause. In regard to matters connected with the main-

tenance of international peace and security, political decisions by the organs are particularly important. Hostilities, such as in Korea in 1950, and the Congo may involve the plea of domestic jurisdiction, but this is over-shadowed by the important question of the effectiveness of the organisation as a whole. While the book is an important and painstaking study, one wishes it were written in better style.

Ferro-Manganese Committee

THE Government of India has decided to constitute a Committee to consider various problems relating to the ferro-manganese industry. The Committee will consist of:

Chairman

Shri N N Wanchoo, Secretary, Department of Iron and Steel

Members

Dr B D Kalelkar, Senior Industrial Adviser, Ministry of Commerce and Industry

Shri A B Guha, Coal Mining Adviser, Department of Mines and Fuel

Shri K L Ghei, Joint Secretary, Ministry of Finance

Shri Jagjit Singh, Director (Traffic), Ministry of Railways (Railway Board)

Shri M Satyapal, Planning Commission

Member-Secretary

Shri A N Banerji, Iron and Steel Controller, Calcutta.

The Chairman has been empowered to invite specially any other person or persons to attend the meetings of the Committee.

The Committee will:

- study the ways and means of ensuring regular supply of raw materials of requisite quality;
- consider the question of railway freight for movement of raw materials and finished products;
- study the economics of production with special reference to cost of transport of ore, power costs, manufacturing process, use of by-products, etc;
- study problems relating to export and marketing abroad of ferro-manganese; and
- any other connected matter.

For those you leave behind

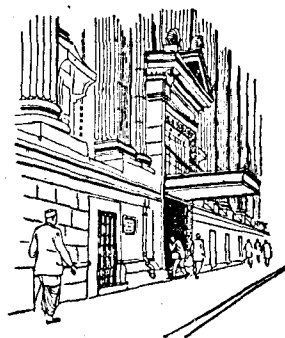
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Kibbutz: The Unending Experiment

George A Floris

During the last decade Israel has built many new homes, schools, hospitals, factories and agricultural settlements. It has also built a new social pyramid.

In spite of the extant vestiges of chutz egalitarianism, the economic and class differences have become considerably more recognisable than during my first visit in 1950. In the streets people no longer address each other with the informal chaver, but with the polite adoni.

It is only in the kibbutz where you still find the conservative upholders of revolutionary traditionalism. These co-operative islets in an effervescent free enterprise economy still give rewards not according to merit but according to need and seek to keep alive the socialist aspects of Zionism.

Are the Kibbutz on the verge of disintegration? Will they in the foreseeable future be converted into private farms due to lack of interest and lack of idealism?

Or, will the kibbutzim continue to recruit an enterprising avant-garde minority in order to set the standard for the majority? Will they, in other words, do on the material plane in modern Israel what the religious orders used to do on the spiritual plane in Mediaeval Christendom: provide an example that many admire but few follow?

KIBBUTZIM are short of manpower these days and some of the tourists visiting Israel are short of local currency. This two-edged need has brought about a new boarding arrangement on the pattern of the European "paying guest" — it developed the Israeli "working guest". Strangers get food and board in the various kibbutzim in exchange for five days work per week on the fields.

The kibbutz that has played host to me is near Nazareth up in the picturesque Galilean hills. Its cosy dormitory quarters are surrounded by a park of pinean trees, but the fields belonging to the kibbutz are miles away down-dale, necessitating long lorry-rides before and after work.

The first afternoon was the most difficult. I had to loiter about aimlessly around the large canteen building, the stone bungalows and wooden cribs, an odd man out in a surging community of 200 busy bees.

Fortunately this sense of frustration did not last very long. By 6 a.m. the following morning I was diligently working away with the others at the apple harvest. Without much talk or formality I had been initiated as a temporary kibbutznik.

Work was never short. The apple season was followed by work on the sunny cotton fields, the white-washing of irrigation taps, the weeding in the flower garden and the orchard and an occasional stint in

washing-up in the kitchen. Of all the tasks emotionally I most enjoyed the somewhat arduous land clearance: removing stones from the fields. It carried with it the glamour of some real pioneering.

Work and Reward

The members of the kibbutz drive themselves hard. There are nine working hours for men, eight for women per day for six days a week. The weaker sex enjoys the one-hour remission, because most of the tasks around the home fall on the women even in the kibbutz.

Apart from the basic hours the members are expected to put in three hours "voluntary work" six times during the apple season — apple being a most important crop for the kibbutz nowadays. There are also additional duties. While during day-time on week-days there is a regular canteen personnel to see to the welfare of their comrades, all members have to take their turn in serving or washing-up at dinner time and on Saturdays. Every man has to act as nightwatchman for one week during the year.

While kibbutzniks receive most of their emoluments in kind — food and board for themselves and their families, education for their children — cash is now issued to enable them to do some of their own shopping. So, within limits they can decide whether they want to spend more on clothing or furniture, on books or drinks. Parents are also given some extra money after each

of their children. That enables husbands and wives to buy birthday gifts for each other, or treat to presents and outings their children.

Although there is a well-equipped kibbutz library, all of the families have in their own two-room homes a private, individual bookshelf. Similarly, the children are not content with the communal toys in the classrooms and dormitories: they usually have a drawer-full of privately-owned toys in the home of their parents.

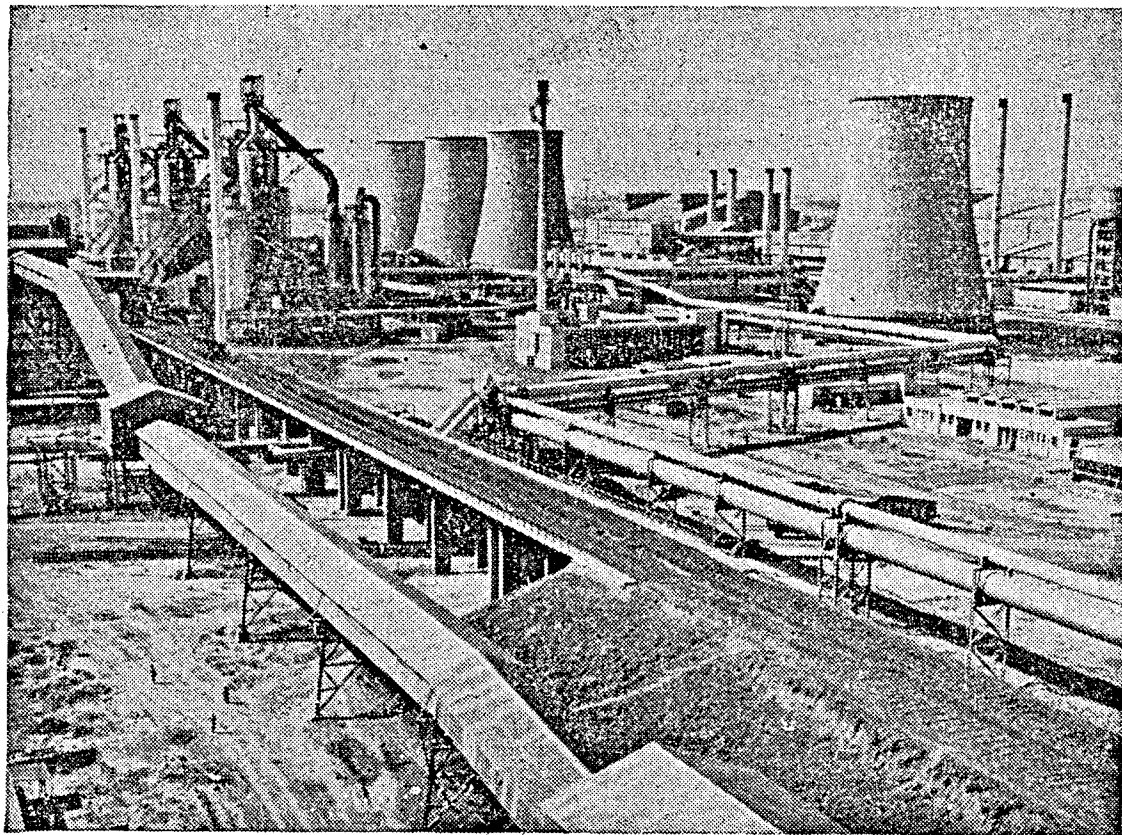
The work is made well bearable in the kibbutz with the plentiful and well-prepared meals and the generally cheerful spirit. Besides the work I also joined the weekly cinema shows and other festive functions arranged for and by kibbutz community.

Community Life

In the evenings the kibbutzniks appreciate sometimes a stiff drink and several of them are fond of card games. Cardinal kibbutz principles do not allow them to play for money even at the lowest stakes, yet the absence of monetary incentive does not spoil their fun. They keep on playing fervently, not seldom down to the small hours of dawn.

In spite of the regular hard working and the occasional hard drinking, the kibbutz has the air of a merry-go-lucky boarding school with the members calling each other by their nicknames, being usually

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BRITISH COMPANIES WORKING FOR INDIA

PSIC 32

well-informed of each other's private affairs, and on the most informal terms with the annually or bi-annually elected management.

Not that the community existence is overdone in this particular kibbutz. Married couples stay in their own self-contained living quarters, others have a room of their own, including the "working guests".

Only the children are kept in well-regulated communities, all the way from the creches of the toddlers to the dormitories of the grammar school pupils.

It would, however, be exaggerated to talk about "boarding schools" in this context. The houses accommodating the children are on the kibbutz grounds and the children spend their spare-time with their parents. Mothers are expected to visit their children in the kindergarten every morning. Even in the case of the bigger children, parents have to accompany them to the dormitories when there is time for turning in and help them to undress there if necessary.

On the other hand, during the yearly holidays of the parents—they usually spend it in Natania at the seaside where the kibbutz has a "holiday home"—their children are left behind in the kibbutz. During that fortnight the "deserted" children spend their spare-time in the home of their best friend's parents who supervise them alongside their own.

For Children : Best of Two Worlds

So the children of the kibbutz have the best of two worlds. They are attended by a qualified educational staff most of the time, but they are also under the permanent control of their parents. This way the parents can constantly watch the educators and the other way around, allowing for a helpful co-operation between school and home for the benefit of the new generation. One of the teachers is a former Hungarian Baroness, a granddaughter of a famous First World War general; she is a convert to Judaism, speaks an excellent Iwrit and knows more about the religion of her adoption than most of the born Jews.

A young woman once said: "I am in the kibbutz principally for

the sake of my child. Not even in a Swiss boarding school could she have such an education with classes for as few as fifteen children."

A re-married young divorcee told me that her first husband who is not a member of the kibbutz tried once to make their elder son stay with him in the city. However, soon the boy had become homesick for the kibbutz and his reluctant father had to bring him back.

The changing face of Israel has penetrated kibbutz life as well. In spite of all the inherent frugality of kibbutznik existence, neglected personal appearance is no longer encouraged. Members are expected to turn up freshly washed and decently dressed in the dining hall for the evening meal—and particularly so on Sabbath Eve.

Although off duty the ladies are nicely, at times elegantly, dressed, they still spurn make-up. "At work we often handle food," one of them explained to me, "so we feel, we should not wear lipstick or nail varnish then. But since we regard ourselves the same people during and after work, we think it's best to keep away from make-up altogether."

With this aversion to make-up it may sound paradoxical that the kibbutz management does issue extra money to women for cosmetic treatment. "This is necessary here," a young married woman with three small children solved the puzzle for me, "just because of our communal existence. It might be living hell for a child if the other children in the kibbutz would tease him all the time. 'See, your mother has a moustache'."

Although the care of children is greatly relieved for parents living in the kibbutz, most of them have just one or two children and only two families as many as four.

The Self-Conscious and the Sensitive

The pleasant atmosphere in the kibbutz is now and then marred by the self-conscious young and the sensitive old. Children begin to perform certain kibbutz work—cleaning, or even light tasks out in the fields—at the age of nine and that gives them a self-assurance unknown elsewhere. They feel that since they already work for their

keep, they are entitled to a considerable amount of independence from their parents, while the latter, obviously, still seek to assert a modicum of authority over their offspring. However, the youthful influence is not always exerted for the sake of licence. Two fathers told me that on *Yom Kippur* their little daughters—brought up without any religious education in the kibbutz belonging to Mapai—came to them saying, "Really, once in a year even you could go to the Synagogue, Daddy."

Superficially the old people have an easy, happy life in the kibbutz. Above 60 they work only four hours a day, above 70 only if they want to. Thus they have plenty of time for going to the library, listening to the radio or visiting relatives and friends. However, human nature being as it is, not all the old parents of middle-aged kibbutzniks can adjust themselves to a life of comparative passivity. They seek to assert their accumulated experience in the various walks of life, make repeated suggestions for improvements and try to interfere with the general run of the place. Constant criticism, however cordial and well-meant, tends to be resented in the end by the elected kibbutz dignitaries. When finally they protest against the meddling of the old, the latter feel hurt.

A Doctor of the *Kuppat Cholim*—the Health Service of the *Histadrut*—is living on the premises and is constantly at the disposal of the members. In case of a more serious illness the sick are despatched to an appropriate hospital for examination and treatment.

Manual work has not diminished the intellectual keenness of most kibbutzniks. There are avid newspaper readers and radio listeners (for the time being there is no Israeli television programme, only the shows from the Arab countries can be watched in certain cafes) and they like to discuss world events. Although the majority in that Mapainik kibbutz is without any religious sentiment, hardly any of them have I ever heard voicing sympathy for communism or even nineteenth century radicalism. General De Gaulle, even President Tshombe has his admirers and most

of the kibbutzniks feel a remarkable political and cultural solidarity with Europe,

Relations with Outside World

The relation of the kibbutzniks with the world around them is still amicable, although they are no longer respected as they used to be during the early days of Zionist settlement. Soon after independence, during the period of acute food shortages, people in the cities assumed that the kibbutzniks enjoyed too high a standard of living as a result of withholding vital supplies from the needy urban areas. Today just to the contrary, with the city-dwellers having attained their own prosperity, they are inclined to look upon kibbutzniks as poor relations.

On their visits to the cities the un-made-up female kibbutzniks—even if well-dressed—are often denied the respectful title *Geveret*, "Madame", by the shopkeepers who address them superciliously as *Yalda*, "Girlie". In way of compensation, some shops still grant kibbutzniks slightly reduced rates when doing their purchases.

The kibbutzim sell most of their produce through the semi-official *Tnuva* co-operative and that is the way they like it. Individual salesmanship is the most unpopular task among the members. It reminds them too much of the mercantile existence in the diaspora which they have sought to escape by joining the kibbutz.

The employment of wage-earning outside labour in general and lowly paid Arab female labour in particular is a cause of permanent heart-searching in the kibbutzim. However, economic necessities usually prevail over ideological considerations. With the lure of city-life diverting manpower from the co-operatively tilled lands, the kibbutzim have to get their labour force wherever they can find it.

Perhaps the worst drain on kibbutz manpower is matrimony. With boys and girls being brought up together in the kibbutz schools young members of the two sexes usually develop brother-sister relations which is likely to preclude romance. So the teen-aged son of kibbutznik parents will probably meet the girl of his dreams during his visit, or military service, in the

city and city girls are seldom willing to settle on a kibbutz these days.

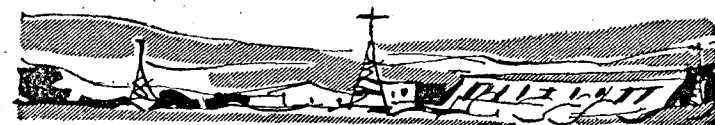
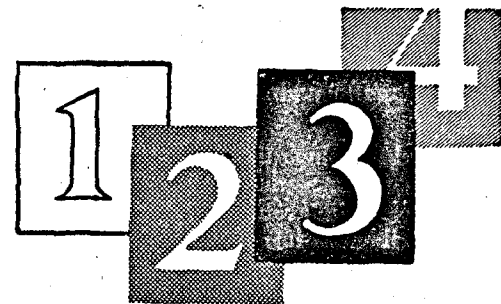
Will They Survive?

The current, though hardly quite fair, criticism of the kibbutz system on the part of the Israeli city youth was expressed to me by a young male soldier: "The Americans used to be also fighting pioneers and yet they did not set up such communities."

Even within the kibbutzim questions are asked today. Will the kibbutz remain in existence and guide mankind towards a new way of life, enabling the voluntary co-operation of the persons so inclined, in an otherwise free society? Or will the kibbutz prove a temporary springboard that used to serve the Zionist society in general and Jewish individuals in particular for finding their feet in the Promised Land

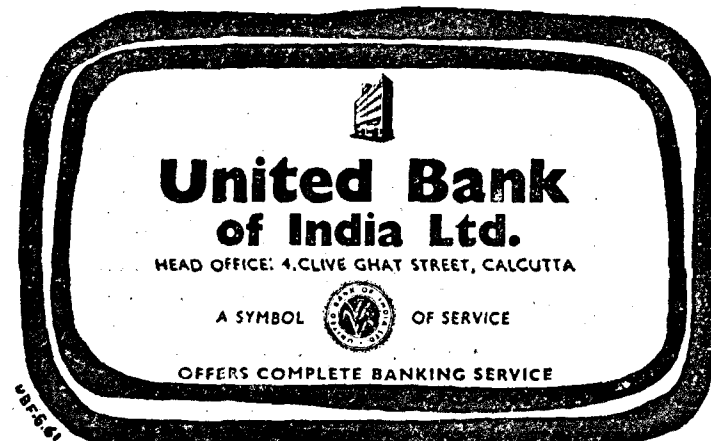
during the early days of the "re-ingathering", but has by now outlived its usefulness?

According to a very capable feminine member of the kibbutz, the kibbutzim are on the verge of disintegration and will in the foreseeable future be converted into private farms, due to lack of interest and lack of idealism. The ex-secretary of the kibbutz (he was replaced during my stay on his own insistence) is not so pessimistic. In his opinion the kibbutzim would continue to recruit an enterprising *avant-garde* minority in order to set the standard for the majority. In other words, they will do on the material plane in modern Israel what the religious orders used to do on the spiritual plane in medieval Christendom: provide an example that many admire, though few follow.



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The Common Market

The Problem of Associated Territories

(From Our London Correspondent)

If Britain does join the Common Market, what form of association will be open to the members of the Commonwealth? This is the question which is being hammered out in the present round of discussions between the 'Six' and other African overseas territories and between the U K and the 'Six'.

Britain, it will be recalled, had originally hoped that most of the underdeveloped members of the Commonwealth would be prepared to join the Common Market on the same basis as the Associated Overseas Territories of the 'Six' in Africa.

Ever since India came out very strongly against accepting any Associated Overseas Territory status because of its political implications, much publicity has been given to the fact that new arrangements were to be negotiated with the former French Community States, taking into account their newly acquired political independence. Discussions on this subject were held on December 6 and 7 between the 'Six' and their former overseas territories.

These negotiations are of particular interest should Britain join the Common Market, as they will indicate the terms on which the Association of Commonwealth Territories can take place.

WHEN the Treaty of Rome was signed in 1957, none of the African Overseas Territories of the Common Market countries was independent. The present form of Association comes to an end in 1962, and new terms will have to be negotiated, which in turn will influence the status of African countries which belong to the Commonwealth, as well as other underdeveloped countries in the Commonwealth.

The new form of Associated Membership with these African territories, apart from its economic implications for industrialisation and the degree of economic independence, has, as well, many political overtones. African countries are jealous of their newly acquired political independence and are rightly suspicious of neo-colonialism in any form. They are determined that their future relationship with Common Market should not jeopardise their political independence and imply alignment with the Western Bloc and should not preclude economic association with other African States, including those of the British Commonwealth. At the same time, the representatives of the African Republics are not anxious to forego their preferences or to share their present advantages with former British territories.

Relationship Different

It is important here to recognise the fact that the economic relationship between France and the French-speaking Republics is quite

different from that between Britain and the Commonwealth countries. Generally speaking, about 70 per cent of the exports and imports of the former French Community States takes place inside the franc zone, with France as the main purchaser of their raw materials and the main source of supply of their imports. Under the French system, prices in the African territories are kept high by price supports and guaranteed purchases. The main commodities are groundnuts, palm oil products, bananas, coffee, tropical fruit and wood. All these purchases are made by the French at between 15 per cent and 20 per cent above world prices. On the other hand, products imported into these African territories are high priced because they are fairly heavily taxed to produce budget revenue. In the Commonwealth countries, on the other hand, raw material prices are low and imported products are relatively cheap, being practically untaxed; therefore, prices are generally close to international prices.

The Africans are demanding the following:

- (1) A quota restriction on the amount of tropical products entering the 'Six' from Third Countries.
- (2) Direct subsidies to compensate them for the loss of artificially high French prices.
- (3) Bulk agreement by the 'Six' to purchase guaranteed quantities of tropical products.

- (4) Price stabilisation funds financed by the 'Six'.
- (5) A drastic reduction in European consumption taxes, particularly the German coffee tax.

The 'Six' Differ

With regard to the question of tropical products, France and Belgium wish to retain the present tariff preferences, and Germany and Holland wish to abolish them. The Africans say that even if the preferences are halved, as the EEC suggests, they should be compensated in other ways. Further problems arise from the fact that the Germans and the Dutch do not wish to commit themselves to an exclusive link with Africa—rather than all underdeveloped areas—for both economic and political reasons. The German Federation of Industries, for example, attacks the principle of tariff preferences on the grounds that they lead to undue specialisation in single crops and hinder the diversification and development of backward economies. It also argues that Latin America and South East Asia are more densely populated and more rapidly expanding markets for German capital and industry than Africa. It claims the full support of the Dutch Federation of Industries.

The French are anxious that the Associated Members in Africa should join under Article 131 and 132, and not under Article 238, i.e. they should be treated as Associate Members of the Common Market and not as

Third Countries or outsiders such as the Greeks and the Turks. Four of the African States, Mali, Togo, the Congo and Somaliland, do not approve of this system and would rather be treated as Third Countries.

Another problem lies in the fact that the 'Six' are deeply divided among themselves. The Germans and the Dutch do not wish to assume the responsibility and the Dutch are opposed to assigning the future status of one part of Africa before it is known whether or not Britain will enter the Common Market.

Another subject which was discussed was the organisation of the Development Fund for the Associated States. This multilateral aid organisation became operative in 1959 when some 69 projects, involving a total expenditure of about \$50 million, were decided upon. Both the expenditure and the number of projects doubled in 1960 and are likely to increase further. The French wish to see available financial aid increased from \$116 million p.a. to \$220 million p.a. They also want to enable the African States to receive loans as well as grants. The Africans, for their part are anxious to take a part in the management of this money, but the French Government is said to oppose this.

There is, however, a difference among the 'Six' regarding the way in which this fund is to be used. West Germany is more anxious than France to diversify and modernise the economies of the benefitting countries. Here too, there are difficulties over the effects of Britain's entry into the Common Market. On the basis of population and national income, Britain would be expected to contribute some 30 per cent of the Development Fund annually. But the proportion of the population of Commonwealth West African territories is more than double that.

Little Progress

In the event, little progress was made towards settling the details of the new Association between the 'Six' and their former overseas territories in Africa. Eventually, after much discussion and disagreement, a compromise solution was reached by which it was decided to continue the Association under the aegis of the Rome Treaty. Further meetings

are now to be held in Brussels in April, and it is hoped that some solution will be reached by the end of June.

Shortly after these discussions, Mr Heath met representatives of the Common Market countries to examine the questions, which countries in the Commonwealth might be associated with the Common Market and what could be done by special protocols or otherwise for the rest. It was eventually agreed that underdeveloped countries and their trade should be dealt with on four regional bases:

- (1) Those countries such as India, Pakistan and Hong Kong who sell manufactured and semi-manufactured goods, mainly textiles.
- (2) Those countries selling primary products, mostly tropical products who will be affected by the common external tariffs.
- (3) Those countries selling sugar, fats, fruits and vegetables (such as Cyprus and the West Indies) which will be affected by whatever common agricultural policy is decided by the 'Six', and
- (4) Those countries (such as Aden and Singapore) which are mainly trading centres.

Trade with Communist Countries

At present the general feeling is that the developed Commonwealth countries—Canada, Australia and New Zealand—will have to be left out of the final list. Also, marked opposition is likely from the 'Six' to admitting India and Pakistan, which, it is feared, could flood the Common Market with cheap textiles, shoes and other manufactures. On the other hand, most of Britain's small dependent territories are expected to present few difficulties, while the African Commonwealth countries too are usually placed in hypothetical lists of possibles.

With so much attention being concentrated on the developing markets for British goods in Western Europe, two recent events need to be mentioned.

The first was the healthy reminder from Lord Boyd Orr of the British Council for the Promotion of Inter-

national Trade, that Britain could obtain the 10 per cent increase in exports demanded by the Governor of the Bank of England, by trading with the socialist countries. He pointed out that the rate of increase of exports to the planned economies was greater than the growth of British exports to any other part of the world. But, he pointed out, the Government was curbing, not encouraging, East-West trade. "We are losing markets primarily because of a refusal to recognise that the pattern of our imports from the East must match the wider scope of our exports. We readily buy similar goods from other countries, not in the least anxious to import more from us." He went on to say that Britain could least afford to relax her efforts in the Eastern Bloc markets at a time when her principal European competitors were increasing theirs. But this would require a radical change of policy on the part of the British Government. "The less our immediate trade depends on the 'Six'; the more weight we will carry on the counsels of the Common Market."

The second event which gives cause for thought, is the publication of the latest report on business trends, published by the European Economic Commission. This shows that industrial production and business activity in the Common Market are still going down. The main reason is the inability of German supplies to expand in step with growing demand. It is true that there has recently been some flattening of demand, particularly in certain raw material industries, and in the motor and textile industries in West Germany, France and Belgium. Despite the tapering off of the production boom in the community as a whole, the pressure on the labour market has not diminished. In West Germany, labour shortage is expected to remain acute "for the foreseeable future." In France, where expansion is being pushed ahead, problems of labour shortage are expected to grow more serious.

For the Common Market as a whole "growth" seems likely to settle down to more moderate annual rates than in the last few years, though the pace will still be faster than in Britain.

Price Movements during Second Plan

Ayodhya Singh

The Second Plan period witnessed not only a high degree of inflation but also wide and chaotic movements in relative prices.

While the relative shortage of foodgrains was a major factor accounting for price increases in the initial stages of the Second Plan, it was the shortage of industrial raw materials which raised prices in the latter part. The rise in prices of manufactures which was also conspicuous might partly be the result of higher raw material prices.

The trend in prices of foodgrains vis-a-vis non-foodgrains since early 1959 in the face of a substantial rise in plan outlay, holds out the hope and also indicates the lines of action for keeping prices within reasonable limits during the Third Plan period. A comprehensive plan of price regulation, however, would be indispensable for the purpose.

Such a policy is necessary both for increasing investment substantially and for securing a more even distribution of income and wealth.

THE Table below sets out the Economic Adviser's index numbers of wholesale prices of certain groups and sub-groups along with the General Price Index with Base 1952-53 = 100. In order to attain the truly representative character of indices for the five years of the Second Plan, the annual average of weekly indices has been used for this study instead of the average for the month of March in each financial year, which is often adopted in most official reviews. In the absence of yearly foodgrains index number, the annual average index of foodgrains has been constructed on the basis of weekly price indices of cereals and pulses utilising the weightage given to them by the Economic Adviser to the Government of India.

Persistent Uptrend

The table shows that the general index of wholesale prices displayed a persistent upward trend rising from 92.5 in 1955-56 (Base: 1952-53 = 100) to 124.8 in 1960-61. The virtual slump in prices of food articles in general and of foodgrains in particular resulting from the bumper crop of 1953-54, though

arrested by June 1955, could be corrected wholly by 1956-57 (the index for food articles in March 1953 and March 1957 being 102.2 and 102.3 respectively). The price index of food articles since then continued rising with a marked increase in 1958-59 (115.2 as against 106.4 in 1957-58) and insignificant increase in 1960-61 (120.0 from 119.0 in 1959-60). Except for 1958-59 and 1959-60, the price index of food articles was below the general index, revealing a relatively higher increase in the group constituted by 'non-food' articles.

Foodgrains

Prices of foodgrains maintained their upward trend upto 1958-59 (106.2) followed by a downward trend in 1959-60 (102.1) with a mild subsequent increase in 1960-61 (102.3). This shows that the prices of food articles other than foodgrains recorded a higher increase than the latter throughout the Second Plan period. Within the group of foodgrains, however, the price index of cereals always remained higher than that of pulses. But though both cereals and pulses declined in prices during 1959-60, the decline in cereals was mild

(from 106.8 in 1958-59 to 104.1 in 1959-60) while it was quite significant in the case of pulses (from 103.9 in 1958-59 to 93.5 in 1959-60). In spite of about 450 per cent weightage to cereals over pulses, the foodgrains price index remained below that of pulses except in 1958-59 when pulses also recorded an appreciable increase in their prices. It is significant to note that the bulk of the rise in the General Price Index over the year 1958-59 occurred under the group 'food articles'. Nevertheless the index of foodgrain prices remained throughout below the General Price Index.

Industrial Raw Materials

The prices of industrial raw materials rose steeply by 17 points from 99.0 in 1955-56 to 116.0 in 1956-57 and remained almost stationary in 1957-58 with a slight decline in 1958-59 followed by a marked increase in 1959-60. The rise in 1960-61 over 1959-60 was conspicuous, the price index moving from 123.7 to 145.7. It is significant to note that during 1958-59 when there was an appreciable increase in the prices of food articles, industrial raw material prices showed a mild decline by 0.9. However, even

Index Numbers of Wholesale Prices

(Base: 1952-53 = 100)

Period	General index	Total	Food articles			Industrial raw materials			
			Food grains	Cereals	Pulses	Total	Fibres	Oil seeds	Manufactures
1955-56	92.5	86.6	73.0	75.5	62.2	99.0	105.6	85.4	99.6
1956-57	105.3	102.3	92.4	96.3	80.8	116.0	116.4	120.0	105.6
1957-58	108.4	106.4	97.6	100.9	82.4	116.5	117.5	120.4	108.2
1958-59	112.9	115.2	106.2	106.8	103.9	115.6	108.0	127.0	108.1
1959-60	117.1	119.0	102.1	104.1	93.5	123.7	114.6	134.5	111.3
1960-61	124.8	120.0	102.3	104.4	92.9	145.4	151.6	149.9	122.8

Source: Office of the Economic Adviser to the Government of India.

December 23, 1961

Turnover in futures was on a restricted scale with interest virtually centred round castor. Fluctuations in castor futures were guided less by the export outlook for castor oil than by the changing moods of certain professional operators. Shipments of castor oil from Bombay upto 14th December total 21,683 tons against 49,025 tons in the corresponding period last year. Notwithstanding this marked decline in exports, the trade reports scarcity of ready goods and the spot material is fetching a premium of about Rs 3 per 250 kilos over futures. It is true that 1961 started with a poor carryover because of record exports of oil in 1960 and the crop too was about 10,000 tons (4,000 tons of oil) less than in the previous season. But the present shortage of ready goods cannot be explained in terms of a low carryover and smaller crop. Internal consumption of castor oil is believed to have recorded an impressive increase both as a lubricant and as a hair oil. With internal demand continuing to rise, the ex-

portable surplus of castor oil will dwindle appreciably unless castor seed production goes up. If castor continue to hold steady despite poor exports and prospects of a good crop it is mainly on ideas of increased internal consumption and the continued high prices of groundnut and linseed. Export business in castor oil continues to be almost at a standstill and immediate outlook in this regard is considered to be unencouraging.

Exports

Export business put through in groundnut extractions during the week was restricted because of the uncertainty about the Goa situation, which, however, is now happily over. Shippers expect business to revive after the Christmas holidays though overseas inquiries are likely to be restricted to early shipments. After keeping remarkably firm due to near-squeeze position in November shipment, overseas quotations for groundnut extractions have recorded a sizable setback. December

THE ECONOMIC WEEKLY

shipment is down from £ 33.10 to £ 32.15, January from £ 32 to £ 30.15, January-March from £ 31 to £ 30.2½ and February-April from £ 30 to £ 29.10 per ton. Hardly any fresh export business was reported to have been transacted in linseed cake or cottonseed cake last week. Uncertainty continues about Government's policy for the export of groundnut H P S and expeller cake this season.

Shipments of oilseeds, oils and oilcakes from Bombay from January 1961 to 14th December, with the figures for the corresponding period in brackets are as follows: groundnut 10,378 metric tons (12,983 metric tons), sesame seed 392 (500), kardiseed 241 (123), groundnut oil 513 (4,277), linseed oil 760 (5,491), castor oil 21,683 (49,025), groundnut expellers 12,693 (18,471), groundnut extractions 1,06,708 (1,19,357), linseed cake 10,353 (43,130), cottonseed cake 31,841 (4,324), mowra cake 1,029 (503) and sesame cake 15 (20 metric tons).

THE ECONOMIC WEEKLY

Bullion

Further Setback in Gold

THE bullion market virtually ignored the Chinese threat to cross the McMahon Line and the tension over Goa. It has also taken no serious notice of the end of the Portuguese rule over Goa, Daman and Diu. This is really surprising for a market which is known to shoot up on any hint of political trouble. In fact, bullion prices have been drifting lower for some time and the weakness has been pronounced in

the case of gold. Silver has held comparatively steady, presumably because of the spurt in the world price of silver. Gold Magsar delivery eased gradually last week from Rs 120.65 to Rs 117.80 and Wednesday's closing price of Rs 119 showed a net loss of Rs 1.45 per 10 grams over the week. The spot quotation was down from Rs 119.50 to Rs 118.20. After fluctuating irregularly between Rs 210.15 and Rs 211.60 most of the time, silver Magsar eased to Rs 209.90 at the week-end before closing at Rs 210.50. The spot material which was quot-

ed at a discount of 60 nP at the previous week-end was quoted only about 15 nP lower at the end of last week because of the approaching maturity of the forward contract. Fagan contracts were quoted at a premium of Rs 1.35 over Magsar delivery in the case of both gold and silver. It is generally believed that the end of the Portuguese rule over Goa, Daman and Diu will discourage smuggling activity. Any setback to smuggling will impart strength to precious metals. Of course, bullion prices are already on the high side.

Company Notes

A C C'S SALES RISE BUT PROFITS DECLINE

THE decline in the gross profit of Associated Cement Companies for the year ended July 31, 1961 from Rs 6.05 crores (in 1959-60) to Rs 5.92 crores may appear negligible but coming as it does in the face of an increase in sales from Rs 27.09 crores to Rs 30.04 crores, it is a bit disappointing. For the ratio of profit to sales has dropped from 22.3 per cent to 19.7 per cent. The net profit has fallen by a large amount from Rs 2.16 crores to Rs 1.61 crores, as a result of the increase in the provision for depreciation and taxation. The depreciation provision has been raised from Rs 2.40 crores to Rs 2.76 crores. The tax liability is higher at Rs 1.38 crores against Rs 1.11 crores, on account of the reduction in the benefit from the development rebate. There has, however, been a sharp cut in the managing agents' remuneration from Rs 38.96 lakhs to Rs 17.16 lakhs.

In spite of this setback, the directors have decided to maintain the dividend at 12 per cent subject to tax, which requires as much as Rs 2.29 crores, against a net profit of Rs 1.61 crores. The net profit available for distribution including the surplus of the previous year, is, however, still lower on account of the transfer of Rs 29.27 lakhs to the statutory development rebate reserve, against Rs 70.04 lakhs added last year and Rs 1.10 lakhs to the amortisation reserve, against Rs 1.77 lakhs. The directors have, therefore, had to dip into the reserves to a larger extent than in the previous year to pay the proposed

dividend of 12 per cent. Accordingly, a sum of Rs 98 lakhs has been withdrawn from the general reserve, against Rs 84.50 lakhs withdrawn last year.

The decline in profit has occurred in spite of an increase in actual production as well as effective installed capacity. The ratio of production to capacity has not been maintained at the level of the previous year, on account of the shortage of power and the paucity of railway wagons for carrying coal and despatch of cement.

The decline in the profit is attributed to the all-round increase in costs on account of the rise in railway freight and power supply rates, the higher price of coal, substantial increase in stowing excise duties on coal and higher prices of gunny bags without a corresponding increase in the packing charge, resulting in a substantial loss on packing. The repeated representations made to the Government since 1958 for a suitable rise in selling price had not brought any redress till November 1961. The directors have not, however, disclosed how far the revised prices cover their higher costs. The Chairman may therefore, be expected to throw some light on this question.

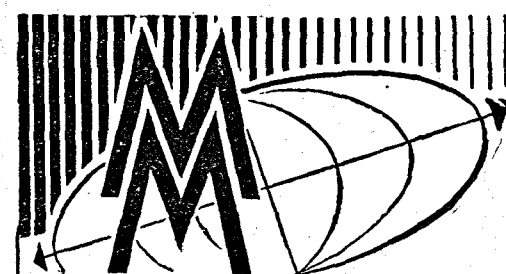
There will be a further expansion of capacity when the dry-process cement factory with a capacity of 165,000 tonnes is set up near Bhilai and the expansion of the Dwarka works to raise its capacity from 246,000 tonnes to 350,000 tonnes is completed. Also, the white cement

plant at Kymore with a capacity of 25,000 tonnes will further increase the total capacity. While the progress in the manufacture of cement machinery at Shahabad will be adversely affected by the inability of Hindustan Steel to supply steel plates required by the company, the joint venture with ACC-Vickers-Babcock will soon come to fruition.

Consolidated Coffee Maintains Dividend

THE record harvest of coffee during the season 1960-61 has enabled Consolidated Coffee Estates to earn a substantially higher profit than in the previous year. The gross profit for the year ended June 30, 1961 amounts to Rs 42.35 lakhs, representing an increase of Rs 15.61 lakhs over that for 1959-60; nevertheless, it falls short of the profit of Rs 47.10 lakhs earned in 1958-59 and is very much below Rs 71.12 lakhs earned in 1956-57. The total coffee crop harvested during the year under review was 4,218.10 tonnes, against 2,449.16 tonnes in 1959-60. In 1956-57, the year of record profit for the company, the crop amounted to 3,229.75 tonnes. This anomaly is explained by the fact that between these years the prices of coffee have declined considerably and the cost of production has increased substantially.

The net profit at Rs 21.93 lakhs shows a rise of only Rs 8.85 lakhs over the previous year on account of the increase in the tax liability from Rs 8.60 lakhs to Rs 15.40 lakhs. The provision for depreciation is a shade lower at Rs 5.02 lakhs compared to Rs 5.06 lakhs in 1959-60. The earning per ordinary share has risen from 16.71 per cent



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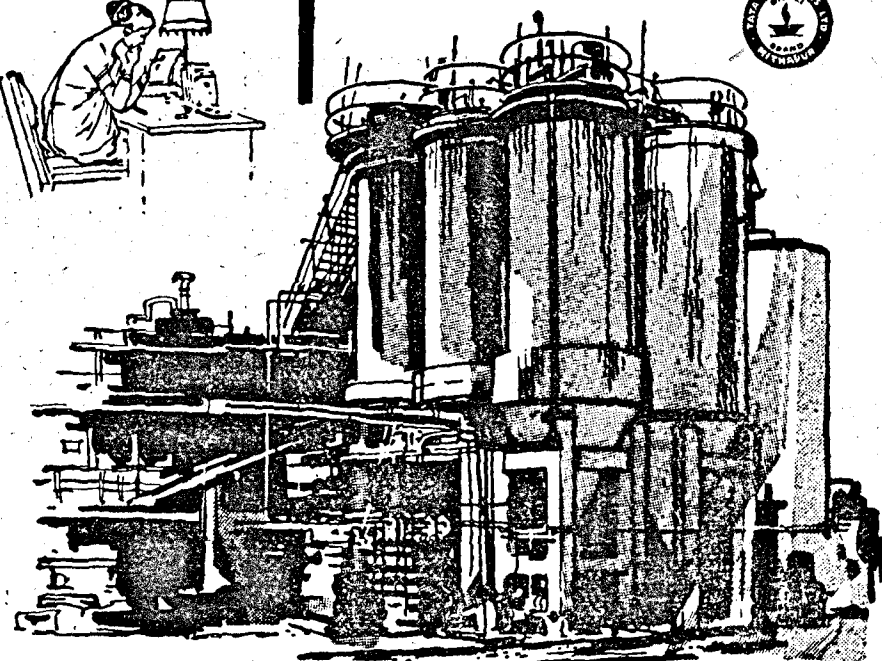
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to 29.02 per cent and more than adequately covers the proposed dividend which is being maintained at 20 per cent. While in the previous year the profit available for distribution was supplemented by the refund of taxes amounting to Rs 4.67 lakhs which enabled the company to pay the dividend of 20 per cent, this year it has been able to maintain dividend at that rate comfortably even after increasing the transfer to the reserves from Rs 2.51 lakhs to Rs 4.75 lakhs. This is evident from the large surplus of Rs 2.27 lakhs that is being carried forward after paying the preference dividend at 6.24 per cent.

The crop estimate for 1961-62 is placed lower at 2,400 tonnes, but the prospect of a good crop for 1962-63 is promising.

The company's financial position is quite sound. The paid-up capital of Rs 90.30 lakhs is supplemented by reserves and surplus aggregating Rs 72.97 lakhs, even after the capitalisation of Rs 39.75 lakhs in earlier years. The loans and current liabilities amount to Rs 55.99 lakhs, against which the current

assets and investments aggregate Rs 100.04 lakhs. The addition of Rs 7.31 lakhs during the year has brought the gross value of the fixed assets to Rs 165.01 lakhs, on which the depreciation provided so far is Rs 45.79 lakhs. The market value of the quoted investments is Rs 11.45 lakhs against a book value of Rs 5.11 lakhs.

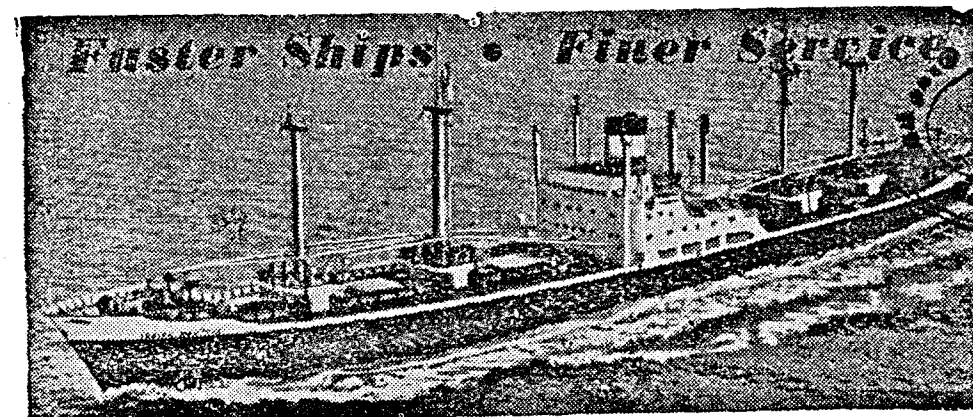
Rising Costs Hamper Nepa Mills

THE working of the National Newsprint and Paper Mills during the year ended March 31, 1961 has resulted in a gross profit of Rs 62.05 lakhs. This represents a decline of 8.90 lakhs over the previous year and is mainly attributable to all-round increase in cost of chemicals, raw materials, power and steam. This rise in costs could have been offset to a large extent, if not entirely, had there been a substantial increase in production. The production of newsprint at 23,029 tons shows a rise of only 618 tons. In fact, the company has not been able to keep up the target of output at 100 tons per day consistently, though occasionally it has reached the target.

After providing Rs 29.02 lakhs for depreciation, against Rs 31.25 lakhs, and Rs 9,001 for development rebate reserve, against Rs 1.94 lakhs, the net profit of Rs 32.94 lakhs has been utilised to reduce the accumulated loss from Rs 98.62 lakhs to Rs 65.68 lakhs.

At the same time, the company has also reduced its loan liabilities considerably during the year. The entire outstanding interest-bearing loan from the Union Government amounting to Rs 25 lakhs has been repaid and the interest-free loan from the Madhya Pradesh Government has been reduced from Rs 99 lakhs to Rs 88 lakhs.

The company is still having difficulties in procuring chloride from Bombay, Ahmedabad and Delhi. In order to overcome these, the company has secured a licence to set up its own chlorine-caustic soda plant with a capacity of 10 tons. The necessary plant and machinery have been ordered. There is also a proposal to step up the capacity of the paper plant to 200 tons per day during the Third Plan period. The question of procuring sufficient raw materials for this project is being examined.



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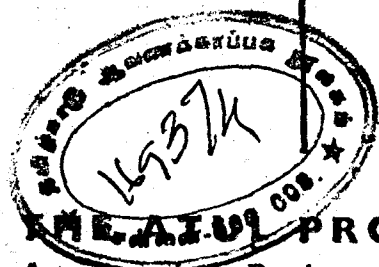
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